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IN REPLY REFER TO
EBUSOPSOFFINST 4200.1A
SEPTEMBER 2, 2003

DON eBUSINESS OPERATIONS OFFICE INSTRUCTION 4200.1A

Subj: DEPARTMENT OF NAVY POLICIES AND PROCEDURES FOR THE
OPERATION AND MANAGEMENT OF THE GOVERNMENT COMMERCIAL
PURCHASE CARD PROGRAM

- Ref:
- (a) Federal Acquisition Regulations (FAR), Part 13
 - (b) Defense Federal Acquisition Regulations Supplement,
(DFARS) Part 213
 - (c) Financial Management Regulation, Volume 5, Chapter 33
 - (d) Navy Acquisition Procedures Supplement (NAPS) 5213
 - (e) Financial Management Regulation, Volume 13
 - (f) DOD Directive 4105.67, Non-appropriated Fund (NAF)
Procurement Policy
 - (g) SECNAVINST 7043.5B, Non-appropriated Fund (NAF)
Procurement Policy
 - (h) GSA Smart Pay Contract GS-23F-98006
 - (i) NAVSUPINST 4200.85(series), DON Simplified
Acquisition Procedures
 - (j) Purchase Card Program Re-engineering Implementation
Memorandum #6 of 20 JUL 98
 - (k) USD(P&R) Memo, "Government Charge Card Disciplinary
Guide for Civilian Employees", 21 APR 03

- (l) USD(P&R) Memo, "Disciplinary Guidelines for Misuse of Government Charge Cards by Military Personnel", 10 JUN 03
 - (m) Civilian Human Resources Manual Sub-Chapter 762
 - (n) DODIG Memo, "Guidance for the Investigation of Fraud, Waste, and Abuse Involving Use of Purchase and Travel Cards", 25 Sep 02
 - (o) ASD(3CI) Memo, "Suspension of Access to Classified Information Due to Abuse or Misuse of Government Charge Cards", 04 Nov 02
1. Purpose. To provide Department of the Navy (DON) guidance on policies regarding the use of the Governmentwide Commercial Purchase Card (GCPC) program, referred to as the Purchase Card, and is supplemental to references (a) through (o).

The DON Purchase Card Program Management Office (PCPMO) has taken an alternative approach to communicating Purchase Card program policy and procedures. In lieu of incorporating policy and operational procedures in one document, the program will provide two distinct documents. The EBUSOPSOFFINST 4200.1A will encompass policy and the Purchase Card Desk Guide will contain procedural information on day-to-day operations. The desk guide is role based, providing seven distinct modules focused on the role an individual plays in the program. There is some redundancy between the various desk guide modules, by design, to facilitate ease of access to information pertinent to a particular user. This instruction and all its components (i.e., desk guides) have the force and effect of Navy regulations.
 2. Cancellation. DON eBUSOPSOFFINST 4200.1. This instruction supersedes the DON eBUSOPSOFFINST 4200.1 of 19 SEPT 02 and is effective upon receipt.
 3. Scope. This instruction applies to all DON activities using the Purchase Card. Appropriated fund activities are bound by the provisions of references (a), (b) and (d) for procurement purposes. Non-appropriated fund (NAF) activities are bound by the provisions of references (f) and (g) for purchase card procurement purposes. EBUSOPSOFF is currently working with the NAF activities in developing NAF specific purchase card policy and training. Once NAF specific purchase card policy is developed, EBUSOPSOFF will issue a separate and distinct

purchase card policy specifically tailored for NAF activities while the appropriated fund activities will continue to follow guidance in EBUSOPSOFF 4200.1A

4. Background. The Purchase Card program was developed to provide a fast and convenient method to procure and/or pay for all requirements under the micro-purchase threshold (\$2,500 for supplies and services, \$2,000 for construction and \$25,000 for cardholders Outside of the Unites States under the appropriate conditions). The program is intended to provide DON civilian and military employees a convenient and commercially available method to make low-dollar value purchases.
5. Procedures. This instruction sets forth the DON policy and procedures for the management of the Purchase Card program as defined in references (a) through (m). This instruction will be supplemented with local internal operating procedures that do not conflict with the guidance provided.
6. Change Information. The following is a summary of major changes incorporated in this revision of the instruction:
 - a. Disciplinary guidelines established for Civilian Employees;
 - b. Semi-Annual Major Claimant review requirement to document all disciplinary action taken;
 - c. AO requirement to issue cardholders "Accountable Official" letter;
 - d. Waivers may be granted to the 1:7 Approving Official (AO) to cardholder ratio; and
 - e. AOs are required to show physical validation when reviewing cardholder receipts.
7. Request for Changes, Waivers or Deviations. Suggested changes, request for waivers or deviations to this instruction should be sent to the DON eBusiness Operations Office, Code 00e, via the cognizant major claimant Head of Contracting Activity (HCA). The suggested change must include a statement of the problem, the recommended solution and any necessary discussion. This information should be self-sustaining. Additional supporting information may be provided as enclosures.


K. E. MELOY

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Send Us Your Comments

DON eBUSINESS OPERATIONS OFFICE INSTRUCTION 4200.1A

The Department of Navy eBusiness Operations Office welcomes your comments and suggestions on the quality and usefulness of this document. Your input is an important part of the information used for revision.

- Did you find any errors?
- Is the information clearly presented?
- Do you need more information? If so, where?
- Are the examples correct? Do you need more examples?
- What features did you like most?

If you find any errors or have any other suggestions for improvement, please indicate the document title, chapter, section, and page number (if available). You can send comments to us in the following ways:

- Electronic mail: purchase_card@navsup.navy.mil
- FAX: 717.605.9362 Attn: Purchase Card
- Postal service:

Department of the Navy
eBusiness Operations Office
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Mechanicsburg, PA 17055-0791

If you would like a reply, please give your name, address, telephone number and electronic mail address.

EXECUTIVE SUMMARY

1. Overview.

The purpose of this section is to provide an overview of the Purchase Card program, identify key players and their responsibilities in the program and set forth key management considerations for senior managers charged with executing this vital program.

2. What is the Purchase Card Program?

a. Objectives.

The program is intended to streamline small purchase methods; minimize paperwork; eliminate imprest fund transactions; streamline payment processes; and simplify the administrative effort associated with traditional and emergent purchase of supplies and services.

b. Goal.

The main goal of the Purchase Card Program is to provide Department of Navy users a simplified, streamlined method of purchasing and paying for simple, low-dollar value, items of supply and service.

c. History.

The need for the Purchase Card program began with Executive Order 12352, "Procurement Reform", issued in 1982. After several interim programs, the DON issued a tailored Task Order, DON-9700-003, to Citibank on July 6, 1998 to provide worldwide purchase card services for the DON.

3. What is the Purchase Card Used For?

- a. The purchase card is used to purchase supplies and services for official government business valued at or below the micro-purchase threshold (\$2,500).
- b. The purchase card may be used as a method of payment in conjunction with other contracting methods above the micro-purchase threshold up to \$9,999,900 depending on the type of contracting vehicle utilized, with the appropriate delegation of authority from the Head of the Contracting Activity. Specific applications can be found in Cardholder Desk Guides.

4. What are the Benefits?

- a. Reduces administrative paperwork.
- b. Streamlines the certification and payment process.
- c. Enables vendor payment within 72 hours by Electronic Funds Transfer through a commercial bank.
- d. Eliminates or minimizes prompt payment interest through the use of the online certification and payment system.
- e. Provides rebates to the DON based on the dollar volume of use and timeliness of payment.

5. Key Personnel.

- a. Agency Program Coordinator (APC).

The APC is designated by the Commanding Officer through an official letter of delegation and is the individual responsible for day-to-day program oversight. The APCs roles and responsibilities are delineated in Chapter 2.

- 1) Reporting requirements.

The APC is required to, at minimum, perform, oversee or manage monthly transactional purchase card reviews along with semi-annual reviews of touching every aspect of the program. The results of the semi-annual review shall be reported up through the chain of command to the DON Purchase Card Program Management Office. This reporting requirement is levied by ASN RD&A.

- 2) Training.

APCs must receive initial training on purchase card policy as well as refresher training every two years. Chapter 3, paragraph 9 delineates specific training requirements. Documentation of training for all participants under their purview must be maintained for the duration the participant/employee serves in this capacity and for three years beyond.

- 3) Quarterly Briefings.

It is recommended that the Commanding Officer receive quarterly briefings regarding the status of the program. Topic to consider for these briefings

should include the number of cards, spending patterns, delinquency issues, and instances of misuse, abuse or fraud.

b. Approving Official (AO).

1) The AO is the program's first line of defense against misuse, abuse and fraud. The AO is responsible for ensuring proper use of the purchase card through approval of purchases and certification of monthly invoices for payment for the cardholders within their purview. DOD policy requires that the AO to card account ratio be no more than 1:7. This ratio is consistent with commercial business practices and is intended to allow a reasonable span of control. A letter from the immediate supervisor nominates the AO. If your command wishes to exceed the DOD guideline of more than seven card accounts assigned to an AO, you will need to send the DON eBusiness office a notice in writing from your major claimant Commander. This letter must include reasons as to why your command is requesting exception to the Navy standard. Once the DON eBusiness Operations Office receives the request, they will forward it to the Deputy Assistant Secretary of the Navy (Acquisition Management) (DASN(ACQ)) for potential approval of the waiver.

2) Training.

The AO must receive initial training on purchase card policy and refresher training every two years. Chapter 3, paragraph 9 delineates specific training requirements. Training documentation needs to be retained for the duration the employee serves in this capacity and for three years beyond.

c. Cardholder (CH).

The cardholder receives delegation of authority to purchase supplies and services from the Commanding Officer (or his/her designee). A sample letter of delegation is provided in the Purchase Card Desk Guide. Cardholder designation represents the CO's confidence in the cardholder's integrity and is assigned according to mission requirements. As with APCs and AOs, cardholder training is critical. Initial training and biennial refresher training is required. Chapter 3, paragraph 9 delineates specific training requirements. All training documentation must be kept for the duration the employee serves in this capacity and for three years beyond.

d. Review Official (RO).

This position provides one more level of oversight by ensuring payments are legal, proper and correct. An individual appointed by the Commanding Officer (or his/her designee) who is responsible for pre and post payment reviews of the payments certified by the approving official or disbursing officer. The RO shall not concurrently serve as an accountable official, certifying or disbursing officer or APC.

Except where impracticable within afloat or tactical operating forces, persons appointed as RO shall not be in the supervisory chain of command of a certifying officer or disbursing officer. It is recommended that the RO (certification official) serve in a review-type position, e.g., head of internal review office.

e. Commanding Officer (CO).

- 1) Is responsible for support/sponsorship to all participants in the Purchase Card program and periodically conducts Purchase Card program management reviews.
- 2) Ensures that appropriate administrative and disciplinary action is taken when fraudulent, improper, and/or abusive purchase card transactions are found.
- 3) Ensures that all program participants have received the required training in accordance with DOD and DON policy and procedures.
- 4) The CO must receive initial training on purchase card policy and refresher training every two years. Chapter 3, paragraph 9 delineates specific training requirements. Training documentation needs to be retained for the duration the employee serves in this capacity and for three years beyond.
- 5) Is cognizant of the guidelines outlined in the Purchase Card Desk Guide entitled Commanding Officers Top 10 Purchase Card Management Tips.

CHAPTER 1: GENERAL POLICIES AND PROCEDURES

1. Scope.

This chapter provides general policy and procedures for DON ashore and afloat activities operating, managing, and performing oversight of Purchase Card programs.

2. Background.

The purchase card can be used as either a procurement method or method of payment.

Procurement method = cardholder performs task of ordering, obtaining and paying for supplies/services.

Method of payment = cardholder pays, via government purchase card, for supplies or services ordered and obtained via some other procurement contractual vehicle. Specific applications can be found in Cardholder Desk Guides.

3. Definitions and Acronyms.

Enclosure (1) contains a comprehensive list of relevant definitions and provides a list of acronyms.

4. Policy.

The purchase card shall be used to purchase supplies and services for official government business in accordance with references (a) through (e), Head of Contracting Activity instructions and local internal operating procedures. Readers are directed to the applicable desk guides for specific purchase card procedures. The purchase card shall only be used for authorized U.S. Government purchases. Intentional use of the purchase card for other than official Government business will be considered an attempt to commit fraud against the U.S. Government and will result in immediate cancellation of an individual's purchase card and potential disciplinary action. In the absence of specific statutory authority purchase of items for the personal benefit of government employees, such as flowers, food, etc., is not permitted and therefore, represent improper transactions. The use of the purchase card for personal purchases for any reason is strictly prohibited.

The purchase card will be used for the following categories:

- a) Micro-Purchase Requirements.

The purchase card shall be used to buy and/or pay for all requirements valued at or below the micro-purchase threshold. The purchase card shall be used to make open market purchases for supplies and services not to exceed \$2,500 and construction not to exceed \$2,000. Purchase cardholders outside of the United States with appropriate delegations of contracting authority, may use the purchase card, not to exceed \$25,000, for procurements. In addition, cardholders must rotate micro-purchase requirements among qualified suppliers to the maximum extent practicable.

- b) The purchase card may be used as a method of payment in conjunction with other contracting methods above the micro-purchase threshold for the following categories provided appropriate authority has been granted by the HCA:
 - 1) DD 282 (DOD Printing Requisition/Order) valued at \$100,000 & below;
 - 2) Purchase Orders (SF 1449/DD 1155) valued at \$100,000 & below, or up to \$5 million for commercial items;
 - 3) Blanket Purchase Agreement orders valued at \$100,000 & below or up to \$5 million for commercial items;
 - 4) Delivery order against Federal Supply Schedules valued at \$9,999,900 or below;
 - 5) Basic Ordering Agreements and orders under Indefinite Delivery Type Contracts valued at \$9,999,900 & below; and
 - 6) Oral orders against Letters of Agreement valued between \$2,500 and \$25,000 for procurement of supplies only.
- c) The purchase card shall be used as a method of payment to pay for training requirements using the DD 1556 (Certification of Training) and valued at \$25,000 & below.

d) Certain categories of purchases have consistently been identified as not allowed for purchase card procurement. For example, material required for support of operational weapon systems requires adherence to strict quality assurance provisions to ensure that the supplies are in conformance with the technical requirements specified by the Original Equipment Manufacturer (OEM). Below is a list of specific prohibitions. Enclosure (2) contains a comprehensive list of prohibited and special attention items.

- 1) Cash advances;
- 2) Travel or travel related expenses (excluding conference rooms, meeting spaces and local transportation such as Metro fares, subway tokens, etc.);
- 3) Long-term rental or lease of land or buildings;
- 4) Sales, rental and lease of vehicles and classified requirements or other requirements that require written contract terms and conditions;
- 5) Purchase of critical material, standard or non-standard, procured for installation in operational weapons systems, without written consent from the Integrated Material Manager; and
- 6) Weapon systems related parts that are safety/safety of flight and configuration control. The purchase card must be used as the method of payment for orders issued via other contractual vehicles for micro-purchase requirements for weapons systems related parts.

5. Noteworthy Exceptions and Issues of Concern.

a. Split Requirements.

Cardholders shall not break down requirements aggregating more than the simplified acquisition threshold (or for commercial items, the threshold in subpart 13.5) or the micro-purchase threshold into several purchases that are less than the applicable threshold merely to (1) Permit use of simplified acquisition procedures; or (2) Avoid any requirement that applies to purchases exceeding the

micro-purchase threshold. Splitting requirements in that manner is a prohibited use of the purchase card and may be violating statutory requirements for small business participation, competition, Service Contract Act (SCA) or Davis Bacon Act requirements.

b. Written Documentation.

In cases where the card is not used to buy or pay for a micro-purchase, a written determination by a Senior Executive Service (SES), flag or general officer is required prior to accomplishing the purchase action. This determination may be delegated no lower than the senior military or civilian official at the Activity. The written determination shall be included in the procurement file documentation providing proof of the propriety of the transaction. Exceptions to the written determination as stated in the Under Secretary of Defense memorandum of 2 October 1998 are shown in the Purchase Card Desk Guide.

c. Cash Refunds.

Under no circumstances will the cardholder accept a cash refund for non-receipt of, returned or damaged items initially purchased using a government purchase card. The cardholder shall only accept credit to the account.

d. Gift Checks, Rebates or Incentives.

Under no circumstance will the cardholder retain gift checks, vendor rebates or other purchase incentives that can be converted to personal use. If received, these items must be turned over to the U.S. Treasury.

e. Business Case Analysis.

Purchase Card Reengineering Memorandum #6, issued by the Deputy Secretary of Defense on 20 July 1998, requires that Department of Defense (DOD)/DON activities using Electronic Commerce or Electronic Data Interchange systems (EC/EDI) that result in a more cost-effective payment process than the purchase card must develop a Business Case Analysis (BCA) for each system. The BCA must compare the benefits and costs of the current system versus the use of the purchase card as a payment method. Waiver requests must be submitted for any operational requirement that precludes full implementation of the purchase card. Submittals should include a Point of Contact (POC), telephone number, and description of the operational requirement and a complete assessment of the inability to use the purchase card. Detailed procedures

for writing a BCA and requesting a waiver may be found in the Purchase Card Desk Guide.

6. Purchase Card Issuance.

The following categories of personnel may be issued a purchase card or be appointed an approving official to accomplish official duties:

- a. Civilian Government employees;
- b. Members of the Armed Forces; and
- c. Foreign nationals (both direct and indirect hires) subject to operational control and day-to-day management and supervision by U.S. Civilian and Military personnel.

7. Financial Management Requirements.

The Department of Defense (DOD) Financial Management Regulation (FMR) provides overall financial management policy governing all financial transactions within the Department including purchase card transactions. The volumes and chapters that are applicable to the government purchase card are contained in the FMR. The DOD FMR web site address is <http://www.dtic.mil/comptroller/fmr/>.

a. Funding requirements.

- 1) DON activities shall bulk fund to the maximum extent practical all purchase card transactions.
- 2) APCs, AOs and CHs shall ensure that proper purchase card transaction information is being recorded into their respective accounting and bill paying systems. These key functions should work with their Resource Financial Manager/Comptroller.

b. Certifying Officers.

- 1) DON activities will nominate and appoint AOs as Certifying Officers in accordance with the DOD Financial Management Regulation (FMR). Certifying Officers are pecuniarily liable for payments they certify.
- 2) Immediately upon receipt, the AO shall review and approve the monthly card account statements, in addition to reviewing and certifying for payment the

monthly billing statement. The monthly billing statement is a summary invoice of all transactions of the card accounts established under the AOs account.

c. Cardholder Responsibility.

The cardholder will be held pecuniarily liable, as an Accountable Official to the Government for the amount of any payment certified and paid based on false or negligent information provided to the Certifying Officer. Under 18 U.S.C. 287, misuse of the purchase card could result in a fine of not more than \$10,000 or imprisonment for not more than five years or both. Military members who misuse the purchase card are subject to court martial under 10 U.S.C. 932, UCMJ Art. 132.

d. Pay and Confirm Procedures.

DON activities operating a Purchase Card program shall institute pay and confirm procedures as part of their financial management program. Pay and confirm procedures are used in instances where cardholders have been billed and have not received the items ordered. The cardholder shall confirm with the vendor that the items ordered are in transit and reconcile the monthly statement in full anticipation that the supplies will be received within the next billing cycle. The cardholder shall track the transactions that have not been received and pay the invoice in full. If the supplies are not received within the next billing cycle, the cardholder will then dispute the item using established dispute procedures. In addition, pay and confirm procedures include damaged items received, which are still under warranty, where the contractor confirms he/she will replace, modify, or repair within the next billing cycle. Pay and confirm procedures does not include the payment of statements in full which contain billing errors or questionable transactions.

e. Disputes.

1) Disputable Charges.

Disputes involving the following items must be handled between the cardholder and the bank (with notification to the APC): duplicate billing, non-receipt of merchandise, returned merchandise, canceled merchandise or services, invoice amount discrepancies and/or the transaction was paid by other means.

Prior to submitting a formal dispute form, the cardholder must initiate communication with the bank and notify the Agency Program Coordinator of the dispute. The Purchase Card Desk Guide provides the detailed process for communicating with the bank.

Once a dispute has been filed, the bank will suspend the disputed charge from the outstanding balance due, issue a provisional credit and acknowledge initiation of the dispute to the cardholder. Based on the outcome of the dispute process, the charge will either be resolved in favor of the cardholder or the merchant. If the dispute is resolved in favor of the cardholder, the charge is removed from the account. If the dispute is resolved in favor of the merchant, a letter will be sent to the cardholder explaining the decision and the charge will appear in the balance due on the next invoice.

It is recommended that the cardholder try resolving the dispute with the vendor first, then, if appropriate, file a dispute if the credit is not received on the next billing cycle.

All dispute documentation should be retained by the cardholder for six years and three months.

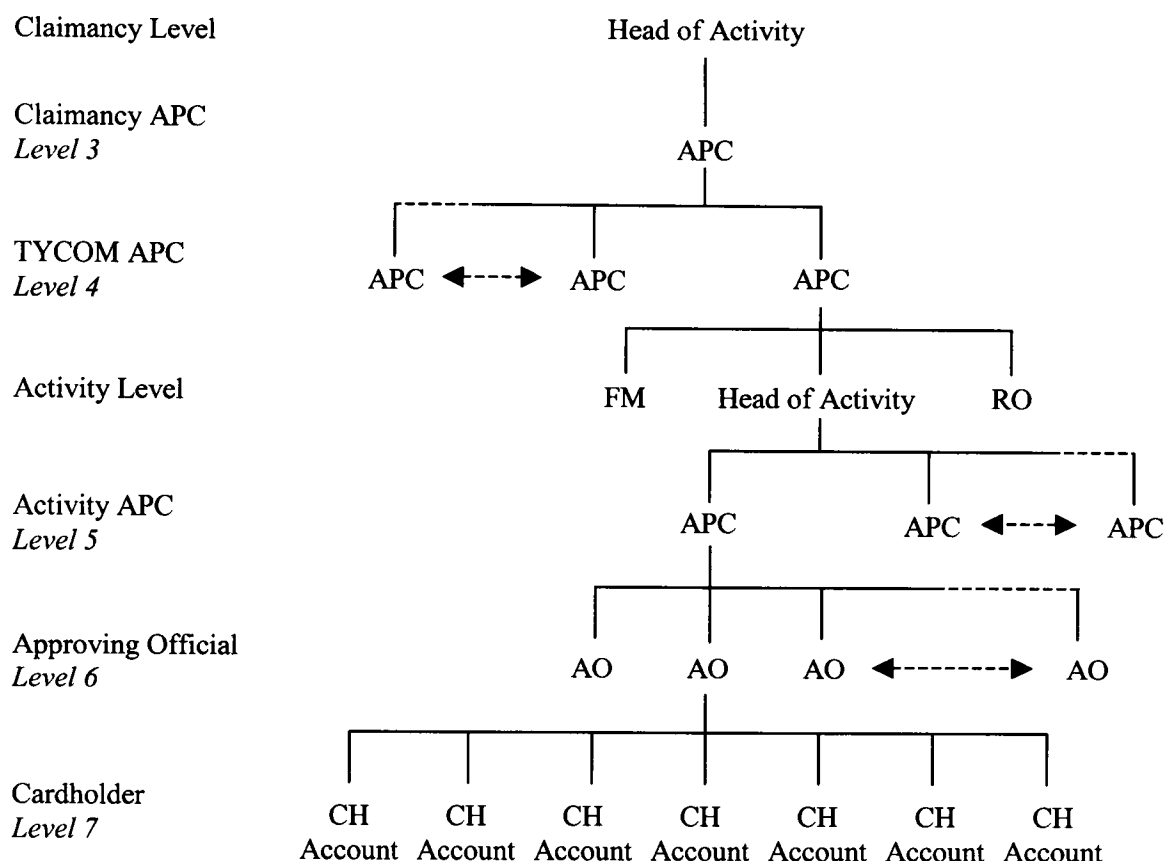
2) Non-disputable Charges.

- a. Charges on the cardholder statement that involve misuse or abuse by the cardholder are not disputable with the bank. If the transaction was processed in accordance with the controls established (i.e., within the purchase limits, not from a vendor with a blocked Merchant Category Code) then the bank has fulfilled its responsibilities under the contract and the government is obligated to make payment for the transaction. The government must seek restitution from the employee for any losses as a result of their improper transaction.
- b. Accordingly, transactions that are determined to be fraudulent (i.e., use of a lost or stolen card) or unauthorized by the cardholder shall not be certified for payment. A formal dispute will be initiated with the bank and the invoice shall be "short paid" by the amount of the transaction(s) in question using the manual certification process.

- c. Convenience Check (see definition of uses in Chapter 6) transactions, transportation charges and any form of taxes cannot be disputed through the bank. These must be resolved directly with the merchant.

CHAPTER 2: MANAGING COMMAND PURCHASE CARD PROGRAMS

Purchase Card Hierarchy Diagram.



1. Command Roles, Responsibility and Accountability.

This chapter provides guidance on the roles, responsibility and accountability of command personnel involved in the DON Purchase Card program. Every individual involved in the Purchase Card program is personally accountable for strict adherence to policies and procedures. Commanding Officers (CO), Agency Program Coordinators (APC), Approving Officials (AO), Review Officials (RO) and Purchase Cardholders (CH) each have specific responsibilities in the program. Workflows for each position are described in detail within the desk guides.

2. Commanding Officers (CO) Duties.

COs of activities (can also be referred to as Head of Activity) managing DON Purchase Card programs are responsible for the following program elements:

- a. Establish effective internal management controls to ensure appropriate management, operation, and oversight of the local Purchase Card program. (The Purchase Card

Desk Guide provides a list of management tips for ensuring success of the program.);

- b. Ensure appropriate resources are allocated to the program;
- c. Ensure the local program is being executed in accordance with DOD and DON guidance;
- d. Ensure program personnel, APCs, AOs, ROs and purchase cardholders are properly appointed and trained;
- e. Ensure that the number of AOs and purchase card accounts appointed within a Command is the minimum number necessary to meet mission requirements;
- f. Establish local policies and procedures identifying informal and formal disciplinary action to be taken against APCs, AOs, and purchase cardholders for non-compliance, fraud, misuse and/or abuse. The range of disciplinary actions should be based on the severity and frequency of the infraction. Disciplinary action could range from informal actions, such as written or verbal counseling detailing the concern and directing corrective action and greater oversight, to account suspension or cancellation, to official letters of reprimand, to demotion, removal or potential criminal prosecution; and
- g. Establish and maintain a command climate to prevent requiring or requesting personnel from exercising undue influence over the actions of a purchase cardholder.

3. Agency Program Coordinators (APC) Duties.

- a. Establish and ensure execution of the local program in accordance with DOD and DON policies and procedures;
- b. Ensure program personnel, APCs, AOs and purchase cardholders are properly appointed, trained, and are capable of performing their respective duties. In addition, no less than annually, ensure that only personnel who require purchase cards for mission requirements are issued purchase cards and have a continuing need for purchase cards;
- c. Ensure AO and purchase cardholder profiles are appropriate for local mission. Perform regularly scheduled maintenance, no less than quarterly, on command AO and purchase card accounts to ensure that the account profile information is current and accurate, to examine frequency of use and to ensure the AO/card account span of control remains within specified limits (no more than 7 card accounts to 1 AO);

- d. Ensure that appropriate action is taken when local reviews reveal non-compliance, misuse and/or abuse; and
- e. Utilize reports available through the ad-hoc reporting tool within the bank system to proactively monitor the program. A description of the ad-hoc reporting tools options is detailed in the Purchase Card Desk Guide.

4. Approving Official Duties (AO).

Approving Officials and Certifying Officials are synonymous in the DON Purchase Card program and for the purposes of this instruction will be referred to as Approving Officials (AOs).

- a. Ensure that all purchases accomplished by the purchase cardholders within their cognizance are appropriate and the charges accurate;
- b. Verify supporting transaction documentation on all card accounts prior to certifying the monthly invoice;
- c. Notify the Commanding Officer and Agency Program Coordinator in the event of any suspected unauthorized purchase (purchases that would indicate non-compliance, fraud, misuse and/or abuse);
- d. Ensure proper receipt, acceptance, and inspection is accomplished on all items being certified for payment. The AO shall verify the existence of receipt and acceptance documentation. Physical validation of proper receipt and acceptance is required by the AO. One example of physical validation is the AO signing or initialing in a corner of each of the cardholders transaction receipts;
- e. Certify the monthly invoice within 5 days of receipt; and
- f. As a Certifying Officer, issue a letter of delegation to all accountable officials (i.e., purchase cardholder(s)) under his/her purview which apprises the accountable official(s) of his/her pecuniary liability for erroneous payments that result from the negligent performance of accountable officials (cardholders) duties. See example provided in the Purchase Card Desk guide.

5. Review Official (RO) Duties.

A Reviewing Official is an individual appointed by the Head of the Activity (or his/her designee) who is responsible for pre and post payment reviews of payments certified by the approving official or disbursing officer. This individual shall not concurrently serve as an accountable, certifying or disbursing official or APC.

- a. Perform monthly pre/post certified payment audits using stratified statistical random sampling as described in reference (c);
- b. Make an initial determination of questionable certifications, maintain file of all inquiries, and ensure inquiries are resolved within 30 calendar days;
- c. Refer determinations of questionable legality, propriety or correctness to APCs (Levels III-V) and Head of Activity (HA); and
- d. In accordance with reference (c), forward copies of final reports with findings through the Activity Chain of Command (HA, level III APC) to the DON eBusiness Operations Office.

6. Purchase Cardholder Duties.

- a. Ensure proper & adequate funding is available prior to any purchase card action;
- b. Screen all requirements for their availability from the mandatory Government sources of supply;
- c. Purchase only mission essential requirements at fair and reasonable prices from responsible suppliers only if mandatory sources are unavailable;
- d. Maintain either a manual or automated log that documents individual transactions and screening for mandatory sources of supply. The purchase card log and supporting documentation should provide an audit trail supporting the decision to use the card and any required special approvals that were obtained (a sample is included in the Purchase Card Desk Guide);
 - 1) Date the item or service was ordered.
 - 2) The merchant name.
 - 3) The dollar amount of the transaction.
 - 4) A description of the item or service ordered.
 - 5) Date of receipt.
 - 6) Name of individual receiving item or service.
 - 7) Paid but not received (pay and confirm)
 - 8) Credit received?
 - 9) Disputed?
- e. Review the monthly purchase card statement to ensure that all charges are proper and accurate;
- f. Forward the monthly purchase card statement to the AO with the appropriate supporting documentation, (i.e., sales slips, documentation of receipt and acceptance,

purchase log, etc.) in a timely manner to maximize rebates and minimize prompt payment penalties. Rebates may be earned from Citibank as part of the GSA SmartPay contract. These rebates are based on dollar value of the transactions made and the timeliness of invoice payments. Rebates are retained at the Departmental level and are used to cover the costs of emergent requirements. Therefore, the efficient and timely processing of Purchase Card invoices maximizes the rebates earned and provides a direct and significant benefit to the DON;

- g. Follow the appropriate procedures for 'pay and confirm' and/or disputes, as described in the Purchase Card Desk Guide; and
- h. Ensure a proper separation of function is occurring for each purchase card transaction.

CHAPTER 3: SETTING UP A PURCHASE CARD PROGRAM

1. Account Set Up Procedures.

This chapter provides procedures and guidance for DON activities for the set up and establishment of local Purchase Card programs.

2. Delegation of Contracting Authority.

Prior to establishing a local DON Purchase Card program, the Head of Activity (i.e., Commanding Officer) must obtain a grant or delegation of authority to operate a Purchase Card program. The delegation should be accomplished in accordance with the guidance provided below.

- a. By the Head of Contracting Activity (HCA). All DON activities must obtain a delegation of contracting authority, in accordance with the cognizant HCA's procedures, prior to local implementation of the Purchase Card program.
- b. By the Head of Activity (HA). The HA shall personally delegate contracting authority to each potential cardholder, or shall delegate to one individual within the activity (e.g. the APC) the right to re-delegate contracting authority to cardholders within the activity. No authority may be given to a cardholder in excess of the authority given in writing to the activity by an HCA.
- c. Delegation Document.

1) A Letter of Delegation shall be used to delegate:

- a) Micro-purchase authority (\$2,000 for construction) and/or authority to use the purchase card as a method of payment at or below \$2,500;
- b) Authority to use the purchase card as a method of payment for training requests, DD Form 1556, up to \$25,000;
- c) Authority to use the purchase card as payment to Document Automation and Printing Service (DAPS) (DD Form 282) up to \$100,000;
- d) Orders solely for UNICOR or JWOD products, up to \$100,000;
- e) Authority to use the card as payment method for purchase orders, Blanket Purchase Agreements (BPAs) (simplified acquisition methods), Letters

of Agreement (LOA), and contracts that provide for payment by purchase card; and

- f) Authority to issue oral orders against Federal Supply Schedule contracts and other Indefinite Delivery Type Contracts (IDTCs) that allow orders by cardholders.
- 2) A Standard Form 1402 (Certificate of Appointment) shall be used to delegate:
 - a) For purchase cardholders outside of the United States, authority to use the purchase card as a procurement method up to \$25,000 (\$2,000 for construction);
 - b) Authority to place calls against LOAs from \$2,500 to \$25,000, or against BPAs up to \$100,000 (\$5 million for commercial items); and
 - c) Contingency contracting officer's authority to use the purchase card up to the simplified acquisition threshold.
 - 3) Each Letter of Delegation or SF 1402 shall specify the following information: single purchase limits for open market (construction not to exceed \$2,000) and government sources of supply, billing cycle limit, transaction types, and any applicable limits for DD 1556, DD Form 282, calls against LOAs or BPAs, orders against IDTCs (e.g. FSS), or any limits on use as a method of payment.
 - 4) Activities should establish local procedures for nominating and appointing APCs, AOs and CHs. As a minimum, the procedures should include furnishing each APC, AO and CH with a letter of delegation outlining the duties and responsibilities of the position. In addition, AOs must complete DD Form 577 and submit it to the appropriate Defense Finance and Accounting Service Office. (The Purchase Card Desk Guide provides a sample letter of delegation and DD Form 577. Block 6 should restrict the signature authority to Purchase Card only).

3. Establishing Appropriate Authority.

It is the responsibility of the APC to ensure that each AO and cardholder has an appropriate grant of authority to satisfy mission requirements. Cardholder accounts should be established which recognize applications for the card other than for micro-purchases (i.e. printing requests, training, method of payment). In addition, to ensure proper spending limits are adhered to, APCs shall ensure that the purchase

card account profile (in the bank's online card management system) do not exceed the limits in his/her delegation document.

a. Single Purchase Limit.

Each cardholder's delegation of authority document shall include limits commensurate with the expected purchasing or payment needs of the cardholder.

- 1) Purchase limits: For existing accounts, the APC should review the CH expenditures for the previous twelve months, select the highest single transaction and add 20%. For new accounts for which no spending patterns exist, the APC should conduct an anticipated spending pattern projection, and apply the guidelines above to the projection.
- 2) In the absence of any other information, a single purchase limit of \$500 is recommended. The single purchase limit should be reviewed and adjusted by the APC to ensure compliance with this instruction.
- 3) The limit when using the card with government sources of supply or as a method of payment for properly issued simplified acquisitions is \$100,000 (\$5 million for commercial items including options, using the procedures of FAR 13.5, i.e. purchase orders, BPA calls), and \$9,999,900 for orders issued against GSA schedule contracts or other IDTCs.
- 4) The purchase card may be used as a method of payment for delivery orders issued against IDTCs up to \$9,999,900 only if granted this authority by their HCA. See the Purchase Card Desk Guide for policies, procedures and specific threshold guidance for using the purchase card as a method of payment.
- 5) A limit must be set for the use of the purchase card as a method of payment for all other uses prescribed by this instruction (i.e., training, Document Automation and Production Service (DAPS) requirements, etc.) limited to the command's/activity's authorized contracting authority.

b. Billing Cycle Limit (30-Day Limit)

Each cardholder's account and delegation of authority shall include his/her billing cycle limit. The billing cycle limit may be assigned in increments of \$100 up to \$9,999,900. Cardholder billing cycle limits shall be reviewed by the APC, at a minimum, semi-annually. For existing accounts, the APC should review the cardholder's expenditures for the previous twelve months, select the

month with the highest expenditures and add 20%. For new accounts for which there is no spending history, the APC should conduct an anticipated spending pattern projection, and apply the guidelines above to the projection. In the absence of any other information, a billing cycle limit of \$5,000 is recommended.

c. Transaction Type

The cardholder's delegation of authority shall identify the transaction types authorized (i.e., over-the-counter, telephone orders or via the Internet).

d. Merchant Category Code (MCC) Blocks

DON has blocked purchase card transactions for certain categories of merchants. Some examples include, casinos, hotels, jewelry stores, drinking establishments, etc. These MCCs are automatically applied to cardholder account profiles at the time of set-up. APCs can further limit cardholder transactions by type of merchant by blocking MCCs for use by particular cardholder, or by all activity cardholders. The DON eBusiness Operations Office website contains a list of current DON-wide MCC blocks. (www.don-ebusiness@navsup.navy.mil)

4. APC File Maintenance and Retention.

The APC shall establish an individual file for each AO and cardholder. The file shall be retained for the duration the employee serves in this capacity and for three years beyond.

a. Approving Official.

- 1) Written request from supervisor;
- 2) Initial and all refresher training documentation;
- 3) Copy of Initial and all subsequent letters of delegation;
- 4) Account setup form; and
- 5) DD Form 577.

b. Cardholder.

- 1) Written request from supervisor;
- 2) Initial and all refresher training documentation;
- 3) Copy of Initial and all subsequent letters of Delegation; and
- 4) Account setup form if processed manually.

5. Developing Internal Operating Procedures (IOP).

Activities establishing local Purchase Card programs shall develop internal operating procedures (IOP) to manage and operate the local Purchase Card program. The internal operating procedures shall be written and provided to all Purchase Card program personnel. Activities that determine a valid mission requirement for a local Purchase Card program shall coordinate their request through their Level III APC. The Level III APC will endorse and submit the request to the DON PCPMO (Level II APC) for review/approval.

At minimum the IOP shall establish local controls for:

a. Designation of offices/personnel involved in the program with specific responsibilities:

- 1) Commanding Officer (CO);
- 2) Agency Program Coordinator (APC);
- 3) Approving Official (AO);
- 4) Review Official (RO);
- 5) Cardholder (CH);
- 6) Designated billing office; and
- 7) Financial Manager/Comptroller.

b. The IOP should include specific written guidance on the internal command processes for:

- 1) The purchase request process (i.e. obtaining funding, approvals);
- 2) Screening/documentation requirements;
- 3) Solicitation and award procedures;
- 4) Receipt inspection and acceptance of supplies/services ensuring proper separation of functions;
- 5) Local procedures for property management;
- 6) Any special processing requirements necessary to ensure appropriate obligation and expenditure of fiscal year end funds;
- 7) Reconciliation, verification and certification of the cardholder's statement and official invoice;
- 8) Maintenance and retention of purchase card records;
- 9) Restricted purchases;
- 10) Procedures for resolving suspected fraud, abuse or misuse of the purchase card;

11) Closure of Cardholder Accounts Upon Transfer, Retirement or Termination of Employment; and

12) Training Requirements

6. Identifying Key Program Personnel.

Commanding Officers should establish a process and criteria for designating personnel who will perform as APCs, AOs and purchase cardholders.

- a. As a minimum, the process shall require a written request from the prospective AOs or purchase cardholder's first line supervisor requesting that the APC establish an account for the designated individual.
- b. The written request shall include a statement that assigning the individual as an AO or purchase cardholder is essential to meet mission requirements.
- c. The request for the purchase cardholder shall indicate the type and kinds of items that will normally be purchased, and the single and monthly credit limits.
- d. The request shall state that the prospective AO or purchase cardholder has the training, business acumen and judgment to act on behalf of the Government. The criteria for choosing APCs, AOs, and purchase cardholders can be found in the Purchase Card Desk Guide.

7. Establishing Internal Management Controls.

Commanders, Commanding Officers, and APCs shall establish internal management controls to operate, manage and provide oversight of the local program. At a minimum, the following controls shall be put in place to maintain the integrity of the program.

a. Separation of Duties.

Commanding Officers, Commanders and APCs shall ensure that the roles and responsibilities of the individuals within their programs are not in conflict and adequate checks and balances are in place to manage local programs.

1) Agency Program Coordinator.

APCs should not be approving officials or purchase cardholders. In cases where commands have limited numbers of personnel to execute the Purchase Card program, and an APC must be an AO, the Commanding Officer of the activity shall ensure that a Command department independent of the local Purchase Card program office, performs the semi-annual reviews.

2) Approving Officials.

Individuals designated as Approving Officials (AOs) should not be assigned as purchase cardholders. If personnel considerations require an AO to be a purchase cardholder, under no circumstances shall any purchase cardholder be his/her own approving official. In addition, AOs should be, to the greatest extent possible, the supervisor of the cardholder or be in the direct line of authority of their purchase cardholder, but not supervisor of their APC.

3) Purchase Cardholder.

Purchase cardholders shall not be subjected to undue influence over their actions as a cardholder by APCs, AOs or others within the command.

b. Separation of Function.

In order to protect the integrity of the procurement process there must be, at a minimum, a two-way separation of functions for all purchase card transactions. This is defined as one person making the purchase with the purchase card and a separate person receiving, inspecting and accepting the purchase.

- 1) In cases where the cardholder is picking up the material at the vendor's location, the end user or other designated receiving personnel shall legibly print their name and title, then sign and date the receipt confirming independent receipt and acceptance of the material or services.
- 2) In the event the purchase cardholder is the end user, the purchase cardholder may sign the vendor receipt. However, the purchase cardholder shall ensure another Government employee within the command co-signs, along with their printed name and title, and dates the receipt.

c. Span of Control.

- 1) APC to card accounts. Local Purchase Card programs shall be set-up to ensure that the ratio of level V APC to purchase card accounts does not exceed 1:300. APCs have significant responsibilities and must have reasonable spans of control to accomplish their administrative, management and oversight responsibilities.
- 2) AO to card accounts. Local Purchase Card programs shall be set-up to ensure that the ratio of AOs to purchase card accounts does not exceed 1:7. In

addition, consideration should be given to the number of transactions per cardholder an AO is required to review. The APC should evaluate the timeliness and effectiveness of the AOs invoice review and certification process to ensure that the number of transactions for all card accounts allows the AO to complete a thorough review. If your command wishes to exceed the DOD guideline of no more than seven card accounts assigned to an AO, you will need to send the DON eBusiness office a notice in writing from your major claimant Commander. This letter must include reasons as to why your command is requesting exception to the Navy standard. Once the DON eBusiness Operations Office receives the request, they will forward it to the DASN (ACQ) for potential approval of the waiver.

8. Issuing Outside of Commands, Claimancies and Agencies.

Commands whose procurement structure requires issuing purchase cards to a prospective purchase cardholder not within their command, claimancy or agency shall follow these guidelines when setting-up the purchase card account.

- a. The issuing command shall enter into a Memorandum of Understanding (MOU) with the receiving command (the resident command of the purchase cardholder.) At a minimum the MOU shall address the roles of the key personnel involved (i.e. funds administrator, APC, AO, etc).
- b. The Commanding Officer or Head of the Activity of the issuing command shall provide either a letter of delegation or contracting officer's warrant (SF1402) to the prospective purchase cardholder(s) of the receiving command in accordance with this instruction. Prior to issuing the letter of delegation or contracting officer's warrant, the APC of the issuing command will ensure that the prospective purchase cardholder meets all of the requirements for becoming a purchase cardholder or contracting officer.
- c. The issuing command is responsible for funds management related to the issued purchase cards. This includes ensuring the proper types and kinds of funding are provided as well as ensuring the integrity of the funding lines of accounting.
- d. The issuing command is responsible for oversight of the purchase card transactions and shall conduct reviews in accordance with this instruction. Disciplinary action, as required, is also the responsibility of the issuing

command with concurrence from the commanding officer of the purchase cardholder's command. Copies of the review results will be forwarded to the commanding officer of the purchase cardholder's command.

- e. The receiving command is responsible for exercising appropriate command and control supervision over the purchase cardholder within the command structure. Internal reviews shall be conducted by the receiving command on a semi-annual basis with the results provided to the issuing command's Commanding Officer and APC.

9. Training Requirements.

- a. Prior to designation as a program participant via a letter of delegation or SF 1402, all prospective APCs, AOs and cardholders shall successfully complete mandatory training in DOD and DON policies and procedures, as well as local internal operating procedures. The initial training requirements mandate that potential program participants take the appropriate role based DON eBusiness Computer Based Training (CBT) and the Defense Acquisition University (DAU) Computer Learning Center (CLC) DOD Government Purchase Card Tutorial. In addition, all cardholders appointed via a SF 1402 shall also take the DAU CON 237 Simplified Acquisition course. The Purchase Card Desk Guide provides detailed training requirements.
- b. Refresher training on current DON policies and procedures and local internal operating procedures is required at least every two years. All cardholders, AOs and APCs shall take the appropriate role based DON eBusiness CBT. A detailed explanation can be found in the Purchase Card Desk Guide.
- c. The annual ethics training requirements for all Government employees is found in the Joint Ethics Regulations, DOD 5500 7-R, as well as 5 CFR 2638.705. Cardholders who purchase in excess of \$100,000 per fiscal year, and ALL AOs, must complete form OGE 450 and, therefore, are required to take local annual ethics training. All ethics questions, including those pertaining to training, should be directed to the Department of Navy Office of General Counsel.
- d. Certificates are required by prospective program participants and active program participants as an indication of successful training completion for all pertinent training requirements.

10. Setting up AO/Cardholder Accounts with the Bank.

To set-up an account with the bank, the APC must complete the account set-up forms on-line or via hard copy. The APC must include the account hierarchy, the default line of accounting and the credit limits. A flowchart depicting procedures for setting-up accounts with the bank can be found in the Purchase Card Desk Guide. Prior to setting up an AO account or a purchase cardholder account, the APC should verify that required training and the purchase cardholder has been properly designated. A checklist has been provided in the Purchase Card Desk Guide.

11. Closing Cardholder Accounts.

- a. The APC shall ensure, to the maximum extent practicable, that the cardholder account is suspended at least 30 days (one billing cycle) prior to the projected date of any transfer, retirement or termination.
 - 1) Once the AO has verified that all transactions and payments have cleared the account, the APC will close the account. Under no circumstances shall an account remain open past the official detachment date of the cardholder.
 - 2) At least quarterly, the APC should compare their entire cardholder listing against the command's official personnel roster and close any cardholder accounts not verified by their personnel office. Components shall take the necessary steps to ensure APCs are notified of personnel changes that would warrant cancellation of charge card authorization.
 - 3) At least quarterly, the APC should review AO accounts. AO accounts shall be closed after all CH accounts under the purview of that particular AO have been closed.
 - 5) Ensure that the command's checkout process includes a requirement to physically turn in a detaching CHs card before detachment.
- b. Inactive Accounts. The APC shall ensure that any cardholder account that has not been used in the previous six months or is being used on average less than 3 times in 6 months is closed unless the supervisor submits an acceptable justification to the APC.

- 1) Account activity will be reviewed as part of the semi-annual review process.
- 2) Once the AO has verified that all transactions and payments have cleared the account, the APC will close the account.

12. Lost or Stolen Cards.

If a purchase card is lost or stolen, the cardholder will notify the bank immediately. In addition, the cardholder will notify the AO and APC as soon as possible, in writing. The notification shall include the following information:

- a. The card account number;
- b. The cardholder's complete name;
- c. The date and location loss became evident;
- d. Date and time the bank was notified as well as date and time reported to the police;
- e. Purchases made on the card since it was discovered lost or stolen; and
- f. Any other pertinent information.

CHAPTER 4: PURCHASE CARD PROGRAM REVIEW

This chapter identifies the recommended internal controls and the required external reporting requirements for managing the Purchase Card program.

Internal reviews.

1. APC Reviews.

a. Monthly Level V APC Reviews.

The activity level V APC shall conduct or oversee/manage the monthly transactional reviews. The review shall include all of the purchase card transactions within the previous month for all card accounts under the APC's cognizance. Results should be reported to the Commanding Officer and Level III APC if required by the Level III APC. The review shall target the following critical elements:

- 1) Suspicious vendors;
- 2) Split purchases;
- 3) Equitable distribution of business;
- 4) Exceeding the micro-purchase threshold (except for outside of the United States locations having \$25,000 per transaction authority);
- 5) Suspected fraudulent transactions;
- 6) Proper separation of function being performed; and
- 7) Verification that the AO has reviewed the CH purchases.

b. Semi-annual Level V APC Reviews.

Semi-annual reviews shall consist of an evaluation of local operating procedures, internal management controls and a transactional review. A copy of the report shall be provided to the activity commanding officer and Level III APC. If not accomplished by the Level V APC, a copy of the report shall be provided to the commanding officer and Level V APC. The APC shall report to the commanding officer on all actions taken on all deficiencies noted in the semi-annual review. The reporting periods for the semi-annual reviews shall encompass the months of April through September and October through March. The following areas must be covered in any Purchase Card Program Review:

- 1) Review of internal operating procedures to ensure compliance with current DOD/DON regulations and directives;
- 2) Program compliance with applicable training requirements;
- 3) Appropriate delegations of authority;
- 4) Integrity of purchase request process;
- 5) Compliance with micro-purchase procedures;
- 6) Receipt, inspection and acceptance procedures;
- 7) Invoice certification process;
- 8) Internal procedures to resolve disputes and monitor command delinquencies;
- 9) Use of the purchase card as a payment method;
- 10) Span of Control (Card accounts to AO and card accounts to APC);
- 11) Delinquencies;
- 12) Account spending limits;
- 13) Questionable transactions delineated below:
 - a. Purchases not required to fulfill minimum, immediate need to support DON mission;
 - b. Purchases not for Government use, but for personal use;
 - c. Purchases that exceeded authorized limits;
 - d. Requirements that were split to circumvent the micro-purchase threshold;
 - e. Purchases that were prohibited items explained in the Purchase Card Desk Guide;
 - f. Purchases from vendor's that appear questionable in terms of mission requirements;
 - g. Screening for mandatory sources; and
 - h. Equitable distribution of business.

As required by Chapter 5 of this instruction. The Head of the Activity shall formalize local policies and procedures identifying the formal and informal disciplinary actions and/or corrective measures that will be levied by the Command as a result of reviews revealing non-compliance with policies or procedures, fraud, misuse and/or abuse by program participants, i.e. APCs, AOs, purchase cardholders, including

supervisors/managers. All disciplinary actions taken or corrective measures implemented shall be documented regardless of the method (i.e. copies of e-mails identifying concerns/issues, suspension of accounts, special retraining efforts, etc.

2. Semi-annual Level III APC Major Claimant Reporting.

Each major claimant shall report the information provided in paragraph (a) below semi-annually to DON EBUSOPSOFF by 30 May and 30 November of each year. The reporting period for the semi-annual review due 30 May of each year shall encompass the months of October through March. The reporting period for the semi-annual review due 30 November of each year shall encompass the months of April through September. Level III APCs shall compile this report from the Level V APC monthly semi-annual review results established in paragraph 1 of this chapter.

Major Claimant Reporting Elements.

- 1) Total number of Agency Program Coordinators (APCs);
- 2) Total number of Approving Officials (AOs);
- 3) Total number of purchase card accounts;
- 4) Number of Level V Agency Program Coordinators (APC) who exceed the ratio of 300 card accounts to one APC;
- 5) Average claimancy ratio of purchase card accounts to approving officials;
- 6) Number of approving official accounts above the 7:1 ratio (Provide activity name and ratio);
- 7) Number of cardholders, approving officials, APCs trained;
- 8) Questionable transactions;
 - a. Purchases not required to fulfill minimum, immediate need to support DON mission;
 - b. Purchases not for Government use, but for personal use;
 - c. Purchases that exceeded authorized limits;
 - d. Requirements that were split to circumvent the micro-purchase threshold; and
 - e. Purchases that were prohibited items explained in the Purchase Card Desk Guide.

- 9) Listing of all disciplinary actions taken.
Description of misuse, abuse or fraud committed and action taken. Include name of activity where cardholder works and the hierarchy number, the dollar amount of the transaction(s), the date(s) that the misuse, abuse or fraud took place, the disciplinary action taken and the date(s) of the disciplinary action; and
- 10) Weaknesses in Internal Management Controls
(description of weak areas and activity name).

3. Head of Contracting Activity (HCA).

Responsible for providing oversight of activities to whom they delegate contracting authority, including those under their cognizance that manage and operate local Purchase Card programs. Commands operating and managing local Purchase Card programs are responsible for performing oversight of their local program in accordance with the guidance provided below. This guidance is provided for informational purposes only as findings and results for this oversight requirement are reported through procurement channels.

HCA Reviews. NAPS 5201.691-2(b) provides that each HCA is responsible for oversight and review of their subordinate contracting organizations. In addition, NAPS 5201.691-2(f)(2) requires that by 30 December of each year, HCA's must report to DASN (ACQ) a summary of relevant findings from the results of the previous fiscal year's Procurement Performance Management Assessment Program (PPMAP). The following metrics/key areas should be considered and made part of your Purchase Card program's PPMAP process.

- a. Number of purchase card reviews conducted;
- b. Number of activities using the purchase card;
- c. Number of purchase card activities that received an unacceptable rating resulting in a suspension of the Purchase Card program;
- d. Number of activities that had their purchase card authority reinstated;
- e. Approving Official span of control;
- f. Number of actions exceeding the micro-purchase threshold (not to include those actions that were processed as a method of payment);
- g. Questionable transactions;

- h. Instances of split purchases;
- i. Excessive instances of purchase card delinquencies;
- j. Screening of requirements for their availability from mandatory Government sources of supply; and
- k. Separation of buying and receiving functions.

4. Delinquency Standards and Policies.

- a. The DON standard for delinquencies stipulates that activities may not have more than 2.00 percent of their total receivables with the bank over 30 days past due. DOD policy requires the issuing bank to suspend any billing account that goes over 60 days delinquent.
- b. All accounts under a billing account (Level 6, Approving Official) will be suspended should the billing account exceed 60 days past due.
 - 1) Before initiating suspension procedures, the bank is required to contact and notify the APC and designated billing office on two separate occasions.
 - 2) When an account reaches 45 days past due, the bank will request payment for the undisputed principal amount in writing or by documented telephone call to the APC and designated billing office. The bank will also provide a pre-suspension/pre-cancellation report that identifies the undisputed amount that is overdue.
 - 3) If payment for the undisputed principal has not been received 55 days past due, the bank will notify the APC and designated billing office electronically or in writing that suspension will take place if the payment is not received by the 5th calendar day after notification. The bank will also provide a point of contact at the bank to assist in resolving the past due account.
 - 4) If payment for the undisputed principal has not been received 60 days past due, the bank will suspend the account. The suspension will automatically be lifted once the undisputed principal amount has been paid.
 - 5) Requests for suspension exemptions for billing officials with operational emergencies may be granted on a case-by-case basis. Exemption requests must be submitted in writing from the Level 3 (major claimant level) APC to DON EBUSOPSOFF (Code 00E). Exemption

requests must include a statement describing what actions will be taken to resolve account delinquencies.

- c. Billing accounts that exceed 180 days past due will result in the entire activity (Level 5 APC) being suspended.

5. Fraud Indicators.

COs, Directors or activity heads should ensure that fraud awareness is part of local training for APCs, AOs and purchase cardholders. HCA, Fleet, or other DON inspection organizations should be aware of certain fraud indicators, identified below, when reviewing Purchase Card programs. In addition, Level V APCs must report via the APC hierarchy chain of command to the DON EBUSOPSOFF any instances where the review of a questionable item is reported to the DOD IG or NCIS for further investigation.

a. Documentation.

- 1) Photocopies instead of original documents.
- 2) Missing documentation (requisition to support purchases, required approvals, etc.).
- 3) Obvious changes or whitening-out of information.
- 4) Information that is backdated.

b. Repetitive Purchases.

- 1) Splitting requirements to avoid certain requirements or restrictions, i.e. micro-purchase threshold.
- 2) Not equitably distributing business among suppliers could indicate favoritism.

c. Purchases to Vendors That Do Not Appear Mission Related. Suspicious Merchant Category Codes (MCC), i.e. casinos, hotels, and jewelry stores.

d. Services.

- 1) Performance that appears out of the scope of work that was originally agreed upon. (Actual performance does not match contractual statement of work.)
- 2) Overruns and variances. (Approvals are not documented, explanatory justifications missing, etc.)

- 3) Contractor estimate equal to Government estimate.
(Personnel releasing advance information to contractor).
- e. Purchases of high value items at low prices or low value items at high prices.
- f. Returns/Credits.
 - 1) Did the Government receive the full credit for the item purchased?
 - 2) Is there a pattern of errors in billings, returns or credits?
- g. Disputes.
Frequent or repetitive disputes by a single cardholder.
- h. Lost or Stolen Cards.
Frequent or repetitive reports of lost or stolen cards by a single cardholder.

CHAPTER 5: DISCIPLINARY GUIDELINES

Government Commercial Purchase Card (GCPC) misuse, abuse, and payment delinquency will not be tolerated. The GCPC card is for official government business in accordance with references (a) through (o), Head of Contracting Authority instructions and local internal instructions, and for no other purpose. It is the Department of the Navy's policy that improper, fraudulent, abusive, or negligent use of a government purchase card is prohibited.

1. Policy.

Per references (k) and (l), it is DOD policy that in each case of improper, fraudulent, abusive, or negligent use of the purchase card by civilian personnel or military personnel, including any use at establishments or for purposes that are inconsistent with the official business of DoN or with applicable regulations, the supervisor of the responsible individual or parties will be informed in a timely manner in order that appropriate corrective, disciplinary or adverse action may be taken. Supervisors who receive information indicating that a civilian or military employee has engaged in any fraud, misuse or abuse of a purchase card, shall take appropriate corrective or disciplinary/adverse action, including further investigation if needed.

The intent of this policy is to ensure that management emphasis is given to the important issue of personal accountability for purchase card fraud, misuse and abuse. There is no intent to deprive managers and supervisors of their discretion in handling purchase card misuse in a manner appropriate to each individual case. The circumstances of each individual case will determine the appropriate type of disciplinary/adverse action, if any, that may be imposed. A progression of increasingly severe penalties is often appropriate in the case of minor instances of misuse, but more serious cases may warrant the most severe penalty for the first offense if abuse or fraudulent activity is prevalent. Clearly there is no single response appropriate for all cases. While the merits of each case may vary, timeliness, proportionality, and the exercise of good judgment and common sense are always important. Where applicable, full consideration must be given to the relevant "Douglas Factors" as provided in Douglas v. Veteran's Administration, 5 MSPB 313 (1981).

2. Guidance.

a. Civilian Personnel.

Civilian personnel penalty guidelines shall address offenses with respect to government purchase cards and shall indicate that the penalty of removal from government service is an available maximum option for a first offense in appropriate cases, as determined by the deciding official. See table (1) for a sample of potential schedule of purchase card offenses and recommended remedies or penalties for such offenses. In taking corrective or disciplinary action against civilian personnel, supervisors shall use reference (m) as authoritative guidance. Purchase card offense(s) may be framed in any lawful manner. The servicing Human Resources Office should assist the supervisor in taking disciplinary/adverse action on the selection of the charge and appropriate penalty based on the Navy's past practice, regulatory guidance, applicable case law and good judgment of the supervisor taking the disciplinary or adverse action. Coordination with the appropriate legal office should occur early in the process, as required by Navy policy.

Table 1:

The chart below is one example of a Purchase card offense and recommended remedies or penalties for such offenses. Supervisors must ensure that the disciplinary policies are consistent with Chapter 5 of this instruction.

OFFENSES	FIRST OFFENSE	SECOND OFFENSE	THIRD OFFENSE
Unauthorized use of or failure to appropriately monitor use of Government Purchase Charge Card	Reprimand to removal	14-day suspension to removal	30-day suspension to removal

b. Military Personnel.

Military personnel who misuse, abuse or commit fraud with the purchase card shall be subject to actions available under reference (1), including counseling, admonishment, reprimand, nonjudicial punishment (Article 15, Uniform Code of Military Justice (UCMJ)), court-martial and administrative separation. In appropriate cases, pecuniary liability, referral for criminal prosecution in civilian courts, and civil enforcement action are other ways to hold military personnel personally accountable for charge card misuse.

In taking corrective or disciplinary action against military personnel who misuse or abuse the government purchase cards, commanders or supervisors shall use the procedures established for each action by the appropriate Military Department and consult with their legal advisors as necessary. In addition to corrective or disciplinary action, military personnel who misuse their government purchase card may have their access to classified information modified or revoked if warranted in the interest of national security. Commanders and supervisors shall follow previously issued guidance to ensure that security clearance reviews are conducted when the holder of a government purchase card comes under investigation for card misuse.

c. Commanders and Commanding Officers.

Commanders and Commanding Officers shall include the Purchase card program in their management control program checklists, and ensure that suspected misuse and abuse of the purchase card is appropriately investigated. (For a list of items to include, see the "Local Operating and Internal Management Check List" in the DON eBusiness Operations Office APC Desk Guide.)

d. Agency Program Coordinators (APC).

APCs shall monitor the ad-hoc on-line system and reports to identify potential purchase card misuse, abuse or potential fraud and shall notify the employee's supervisors immediately in those instances of suspected misuse, abuse or potential fraud. Level V APCs shall also notify their Level III APC in cases of suspected misuse, abuse or potential fraud.

e. Approving Officials (AO).

The AO is the program's first line of defense against misuse, abuse and fraud. They are responsible for ensuring that all purchases made by cardholders within their purview are appropriate, bona-fide and that the charges are accurate. Upon discovery of any improprieties, the AO must notify the Commanding Officer and APC.

3. Relationship to Security Clearances.

The review of the security clearance of the individual involved (or the modification or revocation of such security clearances in light of this review), in purchase card misuse, abuse or fraud cases, is not a disciplinary action and should not be treated as such. However, this does not preclude a separate and independent review of such misuse, abuse or fraud by the appropriate security managers in accordance with references (n) and (o). Modification or revocation of a security clearance will result in appropriate action, which could include reassignment or removal.

CHAPTER 6: EXCEPTIONAL AND SPECIAL ATTENTION CONTRACTING AND PAYMENT METHODS

Use of the purchase card is governed by the policies and procedures of federal acquisition, some of which are unique and quite complex. This chapter seeks to simplify and clarify these special attention items as they apply to the Government-wide Purchase Card program.

1. Ordering Javits-Wagner-O'Day/Federal Prison Industries (JWOD/FPI) Products from Servmart.

Purchase cardholders shall screen all requirements for their availability from JWOD sources. If the purchase/order is solely for JWOD/FPI products, purchase cards may be used up to \$100,000. However, if the purchase or order is not FPI or JWOD, or when the order is mixed between commercial items and FPI and JWOD items, the threshold for purchases is \$2,500.

2. Acquisitions From Federal Prison Industries (UNICOR).

FAR Part 8 has designated Federal Prison Industries (UNICOR) as a mandatory government source of supply that purchase cardholders must consider in acquiring supplies and services. (A listing of their products can be found at 18 U.S.C.4124 (d). DoN Purchase cardholders must conduct market research on any item(s) listed in the UNICOR Schedule prior to proceeding with any purchase card transaction. In cases where market research indicates that the UNICOR product(s) are not comparable with the private sector product(s) in terms of price, quality or time of delivery, the purchase cardholder must conduct a competition among known suppliers including FPI in the competition. All timely offers from UNICOR must be considered. If UNICOR is comparable in all three areas (price, quality or time of delivery), the purchase cardholder shall continue with the acquisition from UNICOR on a non-competitive basis. The UNICOR product must be comparable to the private sector product in all three areas in order to continue the acquisition on a non-competitive basis. A clearance is required from UNICOR in all cases where their products are comparable and the purchase cardholder does not acquire the supply or service from UNICOR. DoN purchase cardholders shall retain all documentation of market research and competitions conducted where UNICOR products are available for purchases. A clearance from UNICOR is not required where the total order is \$2,500.00 or less.

3. Ordering from Non-Appropriated Fund Instrumentality (NAFI) and Exchanges.

Cardholders are authorized to procure from NAFI/Morale, Welfare and Recreation (MWR) organizations. Prior to ordering from NAFI/MWR organizations, cardholders must screen the requirements from the mandatory government sources of supply. Supplies and services from the Exchanges or NAFIs are not considered agency inventories for the purpose of this procedure. Contracting with NAFIs/Exchanges does not automatically establish price reasonableness. Cardholders should independently determine that the prices are fair and reasonable at the NAFI/Exchange. The rules for using NAFI/Exchanges Outside Continental United States (OCONUS) are governed by the following limitations:

- a. The supplies provided shall be from stock of the exchange on hand as of the date of the order; and
- b. The order may not provide for the procurement of services not regularly provided by the exchange.

4. Use of the Purchase Cards Outside the United States.

Purchase cardholders with appropriate delegations of contracting authority may use the purchase card up to \$25,000 on a "stand-alone" basis.

- a. Conditions for use of this authorization are as follows:

- 1) The purchase is made outside the United States for use outside the United States (see DFARS 213.301 for definition);
- 2) The purchase is for a commercial item;
- 3) The purchase is not for work to be performed by employees recruited within the United States;
- 4) The purchase is not for supplies or services originating from or transported from or through sources identified in FAR Subpart 25.7;
- 5) The purchase is not for a ball or roller bearing as end items; and
- 6) The purchase does not require access to classified or Privacy Act information.

- b. Purchase cardholders exercising this authority must receive training in accordance with this instruction (which includes CON 237) and an SF 1402 (Certificate of Appointment).

- c. Purchase cardholders using the purchase card above \$2500 shall ensure that requirements are competed among at least three vendors or a sole source justification is completed. In addition, purchase cardholders shall ensure that all written requirements above \$10,000 are posted in a public place for 10 days, all purchase prices are determined fair and reasonable and written documentation is provided in the purchase cardholder's purchase file establishing the basis for determining the prices fair and reasonable.
 - d. Outside of the United States use of the purchase card in contingency, humanitarian, or peacekeeping operations.
 - 1) Purchase cardholder(s) outside of the United States with appropriate delegations of authority, who have been properly appointed to support humanitarian, contingency, or peacekeeping operations may be authorized to use the purchase card on a stand-alone basis up to the simplified acquisition threshold in support of overseas contingency operations, as defined by 10 U.S.C. 101(a)(13), and humanitarian or peacekeeping operations as defined by 10 U.S.C. 2302(8)
 - 2) Use of the purchase card outside of the United States, on a stand-alone basis up to the simplified acquisition threshold in support of humanitarian, contingency or peacekeeping operations is subject to the following requirements:
 - a) The conditions noted in paragraph 3. a. 1) - 6) noted above have been met;
 - b) The supplies and services being purchased are immediately available; and
 - c) One delivery and one payment will be made.
5. Gasoline or Oil for DON-owned Vessels.
- Cardholders may not use their card to procure gasoline or oil for DON vessels unless a Fleet card is not available and the requirement falls within the following criteria: (a) Continental United States (CONUS)/Alaska locations- less than 10,000 gallons required annually; (b) overseas/Hawaii- less than 20,000 gallons required annually. These amounts are beneath the ceiling provided for in the Contract Bulletins issued by Defense Energy Support Center (DESC). Requirements over the established amounts shall be procured by DESC. Gasoline or oil for DON-owned vehicles should be purchased via the Fleet Card.

6. Hazardous Materials (HAZMAT).

Purchase cardholders are NOT authorized to purchase hazardous materials except for common use as defined in Enclosure (1) aside from the two specific instances provided in 6 (a) and 6 (b) below:

- a. Personnel assigned to properly established HAZMAT Centers who have been trained in receipt; inspection, acceptance and disposal of hazardous materials are authorized to use their purchase card to procure hazardous materials.
- b. Purchase cardholders who are supported by base Hazardous Materials Minimization (HAZMIN) Centers that are contractor owned or operated or otherwise managed and operated by a contractor are authorized to purchase hazardous materials at these specific facilities and in accordance with local guidance.
- c. All purchases of hazardous materials including common use HAZMAT shall comply with the following procedures:
 - 1) The end user/cardholder must comply with established local base or activity procedures for the procurement and use of HAZMAT. Such procedures shall, at a minimum, require screening the requested material against the activity's Authorized Use List (AUL) and approval by the designated HAZMAT official of a contractor-provided Material Safety Data Sheet (MSDS). (The cardholder shall not procure materials not listed on the activity AUL);
 - 2) The cardholder shall make available the appropriate MSDS to the product user;
 - 3) The cardholder shall notify the HAZMAT coordinator of receipt of hazardous materials; and
 - 4) If the HAZMAT official approves the purchase, the cardholder should instruct the vendor that change in the material approved under this purchase is not permitted and the shipping container must be labeled in accordance with direction in the Hazard Communication Standard (29CFR 1910.1200-et. seq.).

7. Pesticides.

Purchases of pesticides (such as insecticides, rodenticides, herbicides, weed and feed products, fungicides, wood preservatives, repellents, etc.), pesticide application equipment, and services that include pesticide application shall be in strict accordance with OPNAVINST 6250.4B/CMC (LFL), "Pest Management Programs".

- a. Purchases of pesticides and pest control services shall be approved in advance by the responsible Naval Facilities Engineering Command, Engineering Field Division/Activity pest management professional.
 - b. Purchases of pesticides and skin/clothing repellents or pest control services to control potential disease vectors (e.g., mosquitoes or ticks) or shipboard pests, shall be approved in advance by the responsible BUMED medical entomologist.
 - c. For the purpose of this instruction, the requirement for professional oversight of pest control contracts applies to procurement of pest control services using the purchase card. Requests to responsible pest management professionals shall include a brief specification for integrated pest management services (not scheduled treatments). Quality assurance levels and in the case of termite control, a warranty, shall be provided. NAVFAC or BUMED pest management professionals will assist installations to ensure that service providers are properly licensed and that each applicator has commercial grade accreditation that meets state and Navy standards to apply restricted use pesticides without supervision.
 - d. The use of the purchase card to procure pesticide applications shall be reported monthly per OPNAVINST 6250.4B. The list of pre-approved pesticides for recurring requirements shall be documented in the installation pest management plan (PMP) (which is approved by the CO and administered by the installation pest management coordinator. The PMP addresses requirements for safe, compliant procurement as well as storage, mixing, application, disposal, and application reporting of pesticides. Some EPA-registered pesticides including water-treatment chemicals, paints containing "FIFRA"-regulated pesticides and other biocides are excluded from the scope of OPNAVINST 6250.4B. The installation environmental coordinator shall approve procurement of these materials or services that include use of these materials with the purchase card in advance.
8. Video Teleconferencing (VTC) Equipment.
 OPNAVINST 2015.1 dated 2 March 1992 and ALCOM R 051410Z of June 95 (DON Naval Video Teleconferencing) provide policy and guidance for DON afloat/ashore Activities requiring VTC

capability. The present guidance provides that Activities may procure any brand of VTC equipment they chose. However, the chosen brand must utilize the commercial standard H.320 (Joint Services Standard) or H.323 (for I/P based VTC) in order to communicate with other Naval Activities. CNO (N611) is responsible for the Video Information Exchange System (VIXS) Tactical VTC Systems and the VIXS Network. Naval Activities wishing to procure secure VTC systems that are to be operated over the VIXS Network must obtain the appropriate approvals provided in this paragraph. The VIXS Program supports a VTC architecture that allows video conferencing between tactical (afloat) and (shore) users to conduct operational missions. All Activities should use the following guidance when procuring VTC equipment:

- a. For activities requiring non-secure VTC equipment, CNO N61 approval is not required.
- b. Activities requiring secure VTC equipment that will not interface into the VIXS Network for operational purposes, CNO N61 approval is not required.
- c. If requirements exist to interface into the VIXS hub to conduct multi-point conferencing, a request in accordance with ALCOM 29/95 shall be submitted for validation. Activities must have a valid justification to be approved. After CNO N61 approval is obtained, the system is procured and installed, VIXS certification must be obtained. The DON POC for scheduling and conducting dial-up VIXS certification testing is the VIXS In Service Engineering Agent VTC Help Desk at SPAWAR System Center Charleston Code 732 CML: 843-218-4882 DSN: 312-588-4882.
- d. Each activity is responsible for procuring additional or initial equipment outside of the VIXS Program of Record (POR). Furthermore, a Life Cycle Management (LCM) number or a memo from the sponsor stating the activity will be responsible for maintenance and operation of the system must be on the requirement. The VIXS Program Manager at COMSPAWARSYSCOM, resourced by N611, supports the installation of one VIXS system at designated afloat locations and limited shore locations as well as the LCM for VIXS POR systems.

9. Household Goods Transportation Services.

The use of the purchase card to procure household goods transportation services is prohibited. Purchase cardholders

shall not use their purchase cards to procure HHG transportation services in any case where the line of accounting from the military or civilian member's orders provide funding for the move (permanent change of station or temporary duty funds). Presently, the ONLY existing exception to this prohibition is the limited authorization to use the purchase card in support of Direct Procurement Method (DPM) Contract, Schedule III, Local Moves.

- a. In accordance with FMR, Volume 2A, Chapter 2, the following guidance is provided. Where the purchase cardholder is using the purchase card to procure transportation services from Schedule III of a DPM contract, the APC, AO and CH shall ensure the following procedures are followed:
 - 1) The costs associated with local moves should be charged to the operating funds, via the purchase card, of the organization controlling the assignment of quarters, regardless of military service. Local funding shortages will not negate any of the entitlements stated herein.
 - 2) All current statutory, regulatory and directives including the FAR, DFARS, NAPS and this instruction should be followed in procuring the services.
 - 3) APCs and AOs will ensure that the ONLY transportation services procured are for Schedule III Local Moves and that appropriate action is taken where cardholders use the purchase card to procure unauthorized HHG transportation services.
 - 4) Personal property representatives shall counsel members on their entitlements, place the oral authorization to order local move services under the contract, and provide advance notification of impending local moves and pertinent cost information to the cardholder.

10. Un-priced Services.

Un-priced services may be obtained using the purchase card only when the cardholder can establish, in communication with the vendor, a ceiling price that will not be exceeded by the vendor. This authority is limited to services in which the commercial marketplace sets the market prices for services and those market prices are identified in the

cardholder documentation along with the established ceiling price (e.g. copier repair, fax machine repair, etc.)

11.Foreign Military Sales (FMS) Programs.

Cardholders may use the purchase card to procure supplies and services in support of FMS programs. The procedures for using FMS case funds in conjunction with the purchase card is as follows:

- a. Material purchased must be tracked to a specific FMS requisition or country/case/document number in an authorized accounting system, and
- b. Proof of shipment must be documented to support possible Supply Discrepancy Report processing.

12.Utility Bills.

Purchase cardholders may use the purchase card to pay for charges resulting from utility services. Utilities under this authorization are defined as water, sewer, electric and natural gas and propane. Utility charges can only be paid for with the purchase card under the following conditions:

- a. The utility does not assess a service charge or fee for using the purchase card as method of payment; and
- b. The charge does not exceed \$9,999,900 per transaction.

13.Letters of Agreement (LOA).

Provides contracting officers, agency program coordinators and purchase cardholders an innovative approach to using the purchase card for procuring commercial supplies between \$2,500 and \$25,000, based on using oral solicitations, placing oral orders and paying using the purchase card. LOAs shall not be established for the procurement of services. Only contracting officers and agency program coordinators with appropriate delegation are authorized to establish LOAs.

- a. The following conditions must apply:
 - 1) All LOAs shall be issued in accordance with this instruction and all oral orders in amounts greater than the micro-purchase threshold but not exceeding \$25,000 shall be paid using the purchase card as the method of payment.
 - 2) Cardholders authorized to use this method must complete the required training in accordance with this instruction and have the appropriate delegation of authority.

- 3) Cardholders authorized to place orders against this type of agreement shall follow the procedures in the NAVSUPINST 4200.85(series), enclosure (1), Chapters 4 and 5 regarding solicitation and evaluation of quotations exceeding \$2,500.
 - 4) Cardholders must maintain records of oral price quotations to reflect the propriety of placing orders to the vendor selected at the prices paid. This can be accomplished on a telecom record, buyer's abstract or other record of solicitation.
- b. Delegation of Contracting Authority.
Activities wishing to utilize this method must have an appropriate grant of authority from their cognizant HCA.
 - c. LOA.
Activities using this method must establish LOAs with small business vendors (refer to FAR Part 19) providing commercial supplies who agree to permit the use of the purchase card as a method of payment for oral orders. LOAs cannot be placed with large business concerns. Vendors must agree to bid on oral solicitations and to accept the terms and conditions normally associated with the procurement of commercial items (refer to FAR Part 12). Orders shall be limited to supplies valued between \$2,500 and \$25,000 and will not be confirmed in writing. Clauses applicable to the acquisition of commercial items provided in FAR Part 12 should be incorporated in all agreements.
 - d. Establishing LOAs.
Contracting officers should establish LOAs on a SF 1449 or DD Form 1155. APCs are limited to establishing LOAs using a letter format. See example provided in the Purchase Card Desk Guide.
 - e. Reporting.
Contracting Officers or APCs must account for each LOA established as a Blanket Purchase Agreement (BPA) on the DD Form 1057. Additionally, all oral orders against LOAs must be accounted for on the DD Form 1057 as a BPA call.
 - f. Electronic Commerce.
The HCA must make the required determination regarding the impracticality of processing solicitations via Federal Acquisition Computer Network or alternative electronic commerce methodologies when the solicitation will be oral and the payment is to be made under the LOA.

g. LOA List.

A listing of contractors with whom an LOA has been established will be maintained by the contracting officer or APC and provided to the cardholders authorized to use this method. The listing must be reviewed and updated on a routine basis or as interested small businesses request LOAs and are added.

14. Convenience Checks.

Prior to establishing a Convenience Check account, the command/activity must have an active Purchase Card program in place.

- a. Requests must be justified in writing and approved by the commander/director of the installation or tenant activity and coordinated through the Level 3 or Level 4 APC, as appropriate.
- b. An account set-up request must be completed and submitted with a copy of the command approval directly to the bank. The process is described in detail in the APC Desk Guide.
- c. Delegations of authority to maintain and use convenience checks shall be issued in writing specifically to the activity approving official, check custodian and convenience check cashier by the activity commander/director who is authorized to establish the account.
 - 1) Convenience Checks may only be used after the command/activity has made every attempt to use the purchase card.
 - 2) Individual Convenience Checks CANNOT be issued in excess of \$2,500 (\$10,000 outside of the United States in support of contingencies declared by the Secretary of Defense).
 - 3) Convenience checks shall be issued in the exact amount of the payment and shall not be split to avoid the micro-purchase threshold.
 - 4) Convenience checks shall not be issued as an "exchange for cash" vehicle to establish cash funds.
 - 5) More than one checking account is allowed per installation, however the number of checkbooks shall be limited to as few as feasible, and may not exceed one per DOD tenant activity or autonomous location.

- 6) Activities may ONLY appoint ONE convenience check cashier to sign and issue checks for the command. Activities are not authorized to appoint alternate cashiers.
 - 7) Activities fielding Convenience Check accounts must provide Convenience Check cashiers with a safe or locking cabinet for storage of the checks.
 - 8) Convenience Checks may be mailed only when internal controls are in place to avoid duplicate payments.
 - 9) Activities shall establish internal controls to include approval at least one level above the cashier.
 - 10) An officer or DOD civilian who is independent of the office maintaining the account must audit Convenience Check accounts yearly on an unannounced basis.
 - 11) A convenience check cashier may hold a purchase card only when the policies and procedures found within this instruction are observed.
 - 12) In order to maintain effective internal controls, an approving official may not perform the functions of the convenience check custodian or cashier.
 - 13) Convenience check cashiers are responsible for the safeguarding and security of their checks and account information. The convenience check cashier shall not allow anyone to use or gain access to his or her checks or his/her account information.
- d. Financial considerations for use with the Convenience Checks.
- 1) Activities are responsible for all costs associated with the Convenience Check program. Activities must pay 1.25 percent of the check amount for each convenience check issued.
 - 2) Convenience Check accounts shall be bulk funded.
- e. Reporting Convenience Checks to the Internal Revenue Service (IRS) for Tax Purposes.
- 1) There is a statutory requirement for DOD/DON to report payments made to contractors/merchants using convenience checks that are reportable to the IRS. Reportable payments include payments for services, rent, and medical payments regardless of the dollar value. If the payment was for goods and services

combined it must be reported. Detailed information on the reporting process can be found in the Cardholder Desk Guide.

- 2) The minimum data that convenience check cashiers should capture prior to issuing an convenience check for services is as follows:
 - a) Payee's name.
 - b) Payee's Address.
 - c) Payee's tax identification number (i.e., social security number or their employee identification number).
 - d) The check number.
 - e) The amount of the check.
 - f) The date of the check.

The convenience check cashier's bank account number is located on the bottom of each check and is not the number shown on the monthly billing statement.

- 3) Convenience check cashiers choosing not to use this process remain liable for the issuance of the 1099M to the vendor and the electronic filing to the IRS in the proper format. Each command operating and managing a convenience check account failing to file is responsible for any fines levied by the IRS for non-reporting.

ENCLOSURE (1)DEFINITIONS & ACRONYMS

Abuse (of Purchase Card): Intentional use of the purchase card for items not authorized by the FAR, DFAR, NAPS, EBUSOPSOFFINST 4200.1A or local purchase card instructions. Neither Commanding Officers nor supervisors shall tolerate abuse of the purchase card. Cardholders who abuse their purchase card shall be subject to appropriate administrative or disciplinary actions.

Account Setup Information: Specific information required by the contractor for each cardholder or approving official so that an active account can be established. This information is supplied by each ordering DOD activity to the card-issuing bank.

Accountable Official: DOD military members and civilian personnel, who are designated in writing and are not otherwise accountable under applicable law, who provided source information, data or service (such as a receiving official, a cardholder, and an automated information system administrator) to a certifying or disbursing officer in support of the payment process. They have pecuniary liability for erroneous payments resulting from their negligent actions.

Accountable Property: A term used to identify property recorded in a formal property management or accounting system. Accountable Property includes all property purchased, leased (capital leases), or otherwise obtained, having a unit acquisition cost of \$5,000 or more (land, regardless of cost), and items that are sensitive, or classified. Additional and/or separate records or other record keeping instruments shall be established for management purposes, or when otherwise required by law, policy, regulation, or Agency direction, including, but not limited to pilferable items (Items that have a ready resale value or application to personal possession and which are, therefore, especially subject to theft).

Agency Program Coordinator (APC): An individual designated by the ordering agency/organization to perform task order contract administration within the limits of delegated authority and to manage the card program for the agency/organization. This individual shall have overall responsibility for the card program(s) within their agency/organization, and may determine who participates in the card program(s). Multiple levels of program coordinators exist within different hierarchies or at different hierarchical levels within the program for each agency/organization.

Approving Official (AO): The individual responsible for reviewing and verifying the monthly purchase card statements of the card accounts under his/her purview. The AO must verify that all purchases were necessary and for official government purposes in accordance with applicable directives. Unless otherwise specified, the AO must also be the Certifying Officer for his/her cardholder(s) and in that capacity must certify the monthly billing statement and forward it to the appropriate office for payment. The certifying officer is responsible for: a) the accuracy of information stated in a voucher, supporting documents and records; b) computation of a certified voucher under sections 3528 and 3325 of title 31, United States Code; c) legality of proposed payment under the appropriation or fund involved; d) providing advice to accountable officials; e) seeking advance fiscal decisions from legal counsel; and f) repaying a payment that is determined 1) illegal, improper, or incorrect because of an inaccurate or misleading certificate; 2) to be prohibited by law; 3) does not represent a legal obligation under the appropriation or fund involved.

<u>APC</u>	Agency Program Coordinator
<u>ASN(RD&A)</u>	Assistant Secretary of the Navy (Research, Development and Acquisition)
<u>AUL</u>	Authorized Use List (HAZMAT)
<u>BCA</u>	Business Case Analysis

Billing Cycle: The billing cycle consists of approximately a 30-day billing period. Each monthly bill will be comprised of transactions (debits and credits) that post to the banks' system during this period. For DON the billing cycle begins on the 22nd of the month and ends on the 21st of the subsequent month. Cycle ends only occur on a business day (i.e. Monday through Friday) and as a result may be adjusted accordingly. The cycle end date will occur on the last business day of the normal cycle.

Billing Cycle Office (Credit) Limit: An authorization control assigned to each approving official, as determined by the ordering DON activity, which limits the cumulative spending amount of all card accounts assigned to that Approving Official during a given billing cycle. Any office limit may be assigned in increments of \$100 up to \$9,999,900. The office limit primarily is used for budgetary control purposes and may be adjusted up or down at any time. It encompasses all outstanding charges within a billing period.

Billing Cycle Purchase Limit: An authorization control that limits an account's cumulative spending for purchases in a given billing cycle. This limit or the billing office limit shall be used to ensure cardholders do not exceed reserved funding (positive funds control). Any purchase limit may be assigned in increments of \$100 up to \$9,999,900. This limit may be adjusted as ordering DON activities deem appropriate and shall be established for each cardholder account. It should reflect

normal usage by that cardholder and must not default to the maximum available limit.

Billing Invoice: The monthly billing invoice is the official invoice for payment purposes, which is provided to the Certifying Officer by the issuing bank. The billing invoice identifies all of the purchase card transactions of his/her cardholders during a billing cycle. The invoice can be paper based or presented through the Electronic Access System of the issuing bank.

<u>BOA</u>	Basic Ordering Agreement
<u>BPA</u>	Blanket Purchase Agreement

Bulk Funding: An advance reservation of funds where a commitment or obligation is recorded in the aggregate rather than by individual transactions.

<u>BUMED</u>	Bureau of Naval Medicine
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Cardholder (CH): An individual designated by an agency to be issued a card. The card bears the individual's name and can be used by that individual to pay for official purchases in compliance with agency internal procedures. Also applies to convenience check account holders.

Cardholder Statement: The statement of charges provided to a cardholder detailing all of the transactions posted to their account during a billing cycle.

<u>CH</u>	Cardholder
<u>CNO</u>	Chief of Naval Operations
<u>CO</u>	Commanding Officer

Commercial Items (Supplies): Any item, other than real property, that is of a type customarily used for nongovernmental purposes and that:

- a. Has been sold, leased or licensed to the general public; or
- b. Has been offered for sale, lease or license to the general public. (A full definition can be found at FAR 2.101)

Commonly Used Hazardous Materials (HAZMAT): For the purpose of this instruction, commonly used HAZMAT means hazardous materials or products that are customarily sold to the general public to be used for non-governmental purposes (commercial products) which are in the same size and packaging found commercially and subject to procedures found later in this instruction. Examples of those materials or products include those required on a routine basis to meet daily operational needs, such as, lubricants, batteries, toner cartridges, detergents, etc.

Contracting Officer: Government employees who have the authority to bind the Government to the extent of their delegated purchasing authority. Purchase cardholders are granted limited contracting authority by their Head of Activity (Commanding Officer) Component Director) or, if authorized, by the APC in writing by the issuance of a Letter of Delegation or SF 1402 Contracting Officer's Warrant.

CONUS Continental United States

Convenience Checks: Third party drafts issued using government purchase card account. Third party drafts may be used to acquire and to pay for supplies or services. Policies and regulations concerning the establishment of and accounting third party drafts, including the responsibilities of designated cashiers and alternates, are contained in Part IV of the Treasury Financial Manual for Guidance of Departments and Agencies, Title 7 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies, and the agency implementing regulations. FAR 13.305 applies and the Department of Defense guidance is contained in the DOD Financial Management Regulation, Volume 5, Chapter 2, paragraph 0210.

Critical Application Item (CAI). An item that is identified by the military services as essential to weapon system performance or operation, or the preservation of life or safety of operating personnel.

Critical Safety Item (CSI). A part, assembly, installation or production system with one or more critical or critical safety characteristics, that, if missing or not conforming to the design data, quality requirements or overhaul and maintenance documentation, would result in an unsafe condition that could cause loss or serious damage to the end item or major components, loss of control, uncommanded engine shutdown or serious injury or death to personnel. Unsafe conditions relate to hazard severity categories I and II of MIL-STD-882, System Safety Requirements. CSAs are subsets of CAIs and include items determined to be "life-limited," "fracture critical," "fatigue-sensitive", etc. The determining factor in CSI classification is the consequence of failure, not the probability that failure or consequence would occur.

Delegation of Procurement Authority: A document, issued by authorized agency personnel, that establishes the individual as an authorized cardholder. This delegation of procurement authority shall specify spending and usage limitations unique to the cardholder. Each activity, in its internal procedures, must designate who shall be responsible for issuance of these delegations. This delegation must come down from the Head of the Contracting Activity.

Designated Billing Office: The office designated by the ordering activity to receive and certify the official invoice, and in some instances, make payments against the official invoice.

Direct Procurement Method (DPM) Contract: A method of shipment in which the government manages the shipment throughout. Packing, containerization, local drayage, and storage services are obtained from commercial firms under contractual arrangements or by the use of government facilities and personnel. Storage for 'local moves' that encompasses the handling associated with the assignment, reassignment, or termination of assignment of quarters as stated herein, is not authorized.

Disputes: Instances where transactions on the cardholder's statement do not agree with entries in the log or retained receipts that are presented to the bank for resolution. This may include circumstances where the cardholder did not make the transaction, the amount of the transaction is incorrect or the quality or service is an issue.

<u>DAPS</u>	Document Automation & Production Service
<u>DFARS</u>	Defense Federal Acquisition Regulation Supplement
<u>DFAS</u>	Defense Finance and Accounting Service
<u>DOD</u>	Department of Defense
<u>DON</u>	Department of Navy
<u>EBUSOPSOFF</u>	Electronic Business Operations Office
<u>EC/EDI</u>	Electronic Commerce/Electronic Data Interchange
<u>EFT</u>	Electronic Funds Transfer
<u>EIT</u>	Electronic and Information Technology
<u>EPA</u>	Environmental Protection Agency
<u>FAR</u>	Federal Acquisition Regulation

File Turn: The average number of calendar days between the time a charge (purchase) is posted and payment is received by the issuing bank.

Financial Management Office: The installation or activity office charged with funds management, funds control, and possibly funds certification. This office may be referred to as the Comptroller's Office, the Resource Management Office, the Financial Management (FM) office and/or the Budget Office.

<u>FMR</u>	Financial Management Regulation
<u>FMS</u>	Foreign Military Sales
<u>FOB</u>	Free-on-Board
<u>FPI</u>	Federal Prison Industries

Fraud: Fraud includes theft or embezzlement from the Government, bribery, receipt or giving of gratuities, conflict of interest, violation of anti-trust laws, as well as false statements and/or false claims in the following areas: pay and

allowances, procurement, property disposal, subsistence, unauthorized services, non-appropriated funds, foreign military sales and personnel matters.

<u>FSS</u>	Federal Supply Schedule
<u>GAO</u>	General Accounting Office

Government-wide Purchase Card: The purchase card is the charge card account established with the issuing bank that enables properly authorized government personnel to buy and pay for supplies and services in support of official government business.

<u>GSA</u>	General Services Administration
<u>HAZMAT</u>	Hazardous Material
<u>HAZMIN</u>	Hazardous Waste Minimization

Head of Activity (HA): For the purposes of this instruction, the HA is the military officer in command or the civilian executive in charge of the mission of a DON command or activity which has been granted contracting authority by the cognizant HCA. The HA has overall responsibility for managing the delegation and use of this authority by personnel under his/her command.

Head of Contracting Activity (HCA): The official in command at one of the 12 DON components listed at DFARS 202.101 (e.g. COMNAVSUPSYSCOM, COMNAVAIRSYSCOM, etc.). They are responsible for the delegation, re-delegation and use of contracting authority including use of the purchase card by DON commands, DON activities and DON personnel under his/her contracting cognizance.

Household Goods Transportation Services: As it applies to the Direct Procurement Method Contract, Schedule III, Local Moves, service shall include a pre-move survey, servicing of appliances, packaging and packing at owner's residence to protect household goods properly during transit, tagging of items, inventorying, loading, weighing, drayage, unloading, unpacking and placing of each article in owner's new residence as directed by the owner or owner's designated representative and removal of all empty containers and materials from residence.

<u>HRSC</u>	Human Resources Service Center
<u>IDTC</u>	Indefinite Delivery Type Contract
<u>IMM</u>	Integrated Material Manager
<u>IOP</u>	Internal Operating Procedure
<u>JWOD</u>	Javits-Wagner-O'Day Act
<u>LCM</u>	Life Cycle Management

Letters of Agreement (LOAs): A streamlined procedure for procuring commercial supplies between \$2,500 and \$25,000, based on using oral solicitations, placing oral orders and paying for the oral orders using the purchase card. LOAs shall not be established for the procurement of services.

Local Moves: The term 'local move' encompasses the handling associated with the assignment, reassignment or termination of assignment of quarters but does not involve a permanent change of station or temporary additional duty. It excludes authorized moves from Government quarters to temporary residences in the vicinity of the last duty station of members who are entitled to shipment to home of selection, as these moves are related to a permanent change of station.

Merchant Category Code (MCC): A code used by the issuing bank to categorize each merchant according to the type of business the merchant is engaged in and the kinds of goods and services provided. These codes are used as an authorized transaction type code on a card/account to identify those types of businesses who provide goods and/or services that are authorized for use by the cardholder.

Micro-Purchase: An acquisition of supplies or services, the aggregate amount of which does not exceed \$2,500, (except construction which is limited to \$2,000). FAR Part 2.101.

Minimum Need: A purchase exceeds the Government's minimum needs when it is excessive in terms of quality, quantity or otherwise exceeds the minimum requirements to satisfy and support the Government in this instance.

Misuse (of Purchase Card): Inappropriate and/or unintentional use of the purchase card for items not authorized by the FAR, DFAR, NAPS, EBUSOPSOFFINST 4200.1A or local purchase card instructions.

<u>MOU</u>	Memorandum of Understanding
<u>MSDS</u>	Material Safety Data Sheet
<u>MWR</u>	Morale, Welfare and Recreation
<u>NAF</u>	Non-appropriated Fund
<u>NAPS</u>	Navy Acquisition Procedure Supplement
<u>NMCI</u>	Navy-Marine Corps Intranet
<u>OCONUS</u>	Outside Continental United States
<u>OEM</u>	Original Equipment Manufacturer

Official Invoice: The monthly billing statement is the official invoice for payment purposes that is provided to the AO. The billing statement identifies all of the purchase card transactions of his/her card accounts during a billing cycle.

Pecuniary Liability: Personal financial liability for fiscal irregularities of disbursing and certifying officers and accountable officials as an incentive to guard against errors and theft by others, and also to protect the government against errors and dishonesty by the officers themselves.

Pilferable Personal Property Items: Items that have a ready resale value or application to personal possession and that are, therefore, especially subject to theft.

PMP Pest Management Plan

Potential Fraud: potential fraud includes the appearance of the following: theft or embezzlement from the Government, bribery, receipt or giving of gratuities, conflict of interest, violation of anti-trust laws, as well as false statements and/or false claims in the following areas: pay and allowances, procurement, property disposal, subsistence, unauthorized services, non-appropriated funds, foreign military sales and personnel matters.

PPMAP Procurement Performance Management Assessment
Program

PSICP Program Support Inventory Control Point

Purchase Card Log: A manual or automated log in which the cardholder documents individual transactions and screening for mandatory sources using the purchase card and/or convenience checks. Entries in the purchase log may be supported by internal agency documentation (i.e. request for procurement document, email request, etc.). The purchase card documentation should provide an audit trail supporting the decision to use the card and any required special approvals that were obtained. At a minimum, the log will contain the date the item or service was ordered, the merchant name, the dollar amount of the transaction, a description of the item or service ordered and an indication on whether or not the item was received.

Reconciliation: The process by which the cardholder and AO review the monthly statements, reconcile against available vendor receipts and purchase card log and authorize payment of those charges provided on the monthly billing/cardholder statements.

Review Official: An individual, appointed by the head of the activity (or their designees), who is responsible for pre and post payment reviews of payments certified by the certifying officer. The review official shall not concurrently serve as an accountable, certifying or disbursing officer or APC.

Services: For the purposes of this instruction, services are firm-fixed priced (including unpriced orders with an established ceiling), non-personal, commercially available requirements in which the Government directly engages the time and effort of a contractor to perform a task (e.g. repairs, maintenance, annual maintenance agreements, etc.).

Separation of Function: For the purposes of this instruction, Separation of function is defined as one person making the purchase with the purchase card and a separate person receiving, inspecting and accepting the purchase.

SES Senior Executive Service

Simplified Acquisition Threshold: The upper level at which an acquisition may use simplified acquisition rules, currently \$100,000, except that in the case of any contract to be awarded and performed, or purchase to be made, outside the United States in support of a contingency operation (as defined in 10 U.S.C.101 (a)(13)) or a humanitarian or peacekeeping operation (as defined in 10 U.S.C.2302 (8) and 41 U.S.C. 259(d)), the term means \$200,000. FAR 2.101.

Single Purchase Limit: A dollar limit on each purchase assigned to each cardholder for a single transaction.

Split Purchase: The "requirement" is the quantity known at the time of the buy. If an individual purchases as he/she becomes aware of a requirement, the requirement is each. If the requirements are consolidated and purchases are made once a day, the requirement becomes what was received during the day. If an individual has historically purchased as things became known to them, even if they have the same thing ordered twice in one day from the same vendor, that does not have to be splitting. Splitting is the "intentional" breaking down of a known requirement to stay within a threshold (i.e. the \$2,500 micro-purchase threshold) or to avoid having to send the requirement to the contracting officer.

Split Requirement: Breaking down requirements aggregating more than the simplified acquisition threshold (or for commercial items, the threshold in subpart 13.5) or the micro-purchase threshold into several purchases that are less than the applicable threshold merely to --(1) Permit use of simplified acquisition procedures; or (2) Avoid any requirement that applies to purchases exceeding the micro-purchase threshold.

Tax Exemption: The elimination of state and local taxes from federal purchases in accordance with state and federal law. The phrase "U.S. Government Tax Exempt" is printed on the front of each purchase card.

Transaction Type: The transaction type is the method by which an order is placed when using the purchase card. Purchase card buys may be made over-the-counter, over-the-phone or via the Internet.

United States: as used in this instruction, means the 50 States and the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, Wake Island, Johnston Island, Canton Island, the outer Continental Shelf lands, and any other place subject to the jurisdiction of the United States (but not including leased bases).

<u>USD(C)</u>	Under Secretary of Defense (Comptroller)
<u>VIXS</u>	Video Info Exchange System
<u>VTC</u>	Video Teleconferencing

ENCLOSURE (2)LIST OF PROHIBITED AND SPECIAL ATTENTION ITEMS RELATED TO
PURCHASE CARD BUYS

This information applies to Department of the Navy Agency Program coordinators, approving officials and purchase cardholders with established Purchase Card programs. Please note that the listing below is not all-inclusive. The APCs, AOs and cardholders shall, to the maximum extent practicable, use their experience, business acumen, and common sense when determining if utilizing the purchase card is appropriate. For a full explanation, and/or background information on prohibitions referenced in this enclosure, refer to the NAVSUPINST 4200.85 (series), enclosure (1). Not all of the prohibitions found in this enclosure require special approvals. Some may be procured using traditional purchase methods (e.g. purchase orders, BPA calls, etc) and paid for using the purchase card. Detailed procedures for using the purchase card as a method of payment may be found in the Purchase Card Desk Guide.

Advance Payments

General rule: Except for requirements such as subscriptions for publications (i.e. Navy Times, Federal Contracts Reporter, Commercial Clearing House Inc, etc.) and post office box rentals advance payments are prohibited. Subscriptions must be held to a minimum consistent with operational requirements. Accordingly, each subscription request must contain certification by the senior official at the requesting command that a magazine/periodical is absolutely necessary for operational purposes.

Advertising

General rule: Unless specific approvals have been obtained advertising contract actions are not authorized in accordance with the Navy Acquisition Procedures Supplement (NAPS).

Exception: The Chief of Naval Personnel has authorized an increase from \$1,000 to \$2,500 for the specific media advertising purchase limit for Commanding Officers of Navy Recruiting Districts to commensurate with the current micro-purchase threshold. This authority cannot be re-delegated and each advertisement is conditioned upon the use of a properly executed DD Form 1535.

Asbestos and Asbestos-Containing Materials

General rule: Purchase cardholders are not authorized to purchase asbestos or asbestos-containing materials.

Black Oxide Coated Brass Threaded Fasteners

General rule: Purchase cardholders are not authorized to procure brass or copper alloy fasteners coated with black oxide.

Buildings and/or Land, or Lease of Long-Term Rental

General rule: Purchase cardholders are prohibited from entering into long-term rentals or leases for buildings and/or land.

Business Cards

General rule: Flag Officers, member of the SES and general officers may authorize the printing of business cards limited to using existing software and agency-purchased stock for those positions that require business cards in the performance of official duties.

Cash Advances

General rule: Purchase cardholders are prohibited from using their purchase cards to obtain cash advances.

Christmas and Other Seasonal Decorations

General rule: Seasonal decorations may be acquired using the purchase card provided local customs and traditions are observed. Purchase cardholders are not authorized to buy Christmas cards.

Coffee Pots, Coffee, Refreshments

General rule: Unless the purchase of coffee pots, coffee, or refreshments is for an authorized mess, as defined in NAVSUP Publication 486 Vol-1, Chapter 1 and BUPERINST 1710.11C the purchase of these items are prohibited. Purchase cardholders are also prohibited from buying refreshments.

While serving light refreshments to conference attendees might be a common business practice in private industry, the expenditure of public funds must be anchored in existing law, not the practices and conventions of the private sector. Per ASN (FM&C) memo "CLARIFICATION OF USE OF APPROPRIATED FUNDS TO PROCURE LIGHT REFRESHMENTS", of April 18, 2003, appropriated funds are not authorized to pay for light refreshments at conferences.

Exceptions: The use of Official Representation Funds for official entertainment and Center of Influence events involving Navy recruiters are exceptions to this rule. In addition, Navy recruiters are authorized to use the purchase card to buy meals for recruiting applicants as an out of pocket expense.

Commercial Vehicles, Purchase of

General rule: Purchase cardholders shall not use their cards to purchase commercial vehicles.

Commercial or GSA Vehicles, RENTAL/LEASE of (Without Drivers)

General rule: Purchase cardholders are not authorized to use their purchase cards to rent/lease commercial or GSA vehicles.

Employee Identification Tags

General rule: Unless the requiring activity/command determines that use of the identification tags are necessary and in support of mission requirements, activities may not use appropriated funds to purchase employee identification tags.

Fireworks Display

General rule: Purchase cardholders may not use appropriated funds to buy fireworks.

Fuel, Oil, Services, Maintenance and Repairs

General rule: Purchase cardholders are not authorized to purchase fuel, oil, services, maintenance and repairs of Interagency Fleet Management System and GSA Fleet Management Programs (i.e. repair of GSA leased vehicles).

HAZMAT and Hazardous Waste Disposal

General rule: Except for commonly used hazardous material the purchase of HAZMAT by cardholders is prohibited.

Incentive Music and Equipment

General rule: Except for specifically programmed music, the purchase of music and equipment for broadcasting (inc. radios, automatic record players or phonographic records) for entertainment purposes is generally not authorized.

Exception: Specifically programmed music may be purchased based on a written determination by the commanding officer describing how the acquisition would improve morale, benefit the command, etc., and thereby qualify as a necessary expense under the necessary expense rules. This prohibition also does not preclude the expenditure of appropriated funds for the purchase of a public address system required for intra-station communication.

Lodging and Meals

General rule: Purchase cardholders are prohibited from using their purchase cards for the payment of lodging and meals for employees on temporary duty.

Exception: Certain reserve activities are authorized to buy meals for Naval reservists during drill activities.

Luggage

General rule: The purchase of luggage for employees/service members to carry personal belongings while on travel orders is generally not authorized.

Exception: Sea bags issued to service members and briefcases, etc., furnished for the express purpose of carrying official

documents associated with the duties of the service member or employee.

Medical and Dental Care From Civilian Non-Federal Sources

General rule: Purchase cardholders shall not use their cards for payment of individual medical and dental services.

Exception: Naval Recruiting Commands use of pre-induction physicals for recruits. U.S.C. 7901 provides that agencies have specific authority to include medical examinations, including pre-employment exams without charge to applicants.

Membership Dues

General rule: Except for membership dues, which solely benefit the agency or activity, the purchase of club, association, organization and other related memberships, are prohibited.

Exception: The use of appropriated funds for membership dues of an activity or agency is permissible if the membership contributes to the fulfillment of the mission of the activity or agency.

Ozone Depleting Substances (ODS)

General rule: Purchase cardholders are not authorized to purchase ODS materials.

Exception: Contracting officers may use their purchase card as a method of payment provided proper authority has been granted by the HCA and guidance in the NAPS is strictly adhered to.

Personal Services

General rule: Unless you have specific statutory authority purchase cardholders may not contract for personal services using the purchase card.

Pesticides

General rule: Unless prior approvals are obtained from cognizant Pest Management Consultant at the appropriate NAVFAC or BUMED division, purchase cardholders are not authorized to contract for purchase of pesticides.

Plaques, Ashtrays, Paperweights and other Mementos As Give-Away Items

General rule: The use of appropriated funds to buy give-away items such as plaques, cuff links, hats, T-shirts, license plate covers, bracelets, ashtrays, Christmas cards, paper-weights, cigarette lighters, novelty trash cans, key chains and similar items is generally prohibited. An agency may not use appropriated funds to purchase gifts or other personal items unless it has specific statutory authority to do so (as in the case of employee awards under the Government Employees Incentive Awards Act, 5 U.S.C. 4501-4507) or can demonstrate--typically

statistically—that there is a direct link between the items and the accomplishment of an authorized agency purpose or mission (as opposed to publicity concerning the mission's existence). Significantly, the General Accounting Office has noted that "items in the nature of gifts can rarely be justified." The first question you need to ask is do you have funds appropriate for the purpose? You should consult with your comptroller and office of counsel to ensure that the command supports this use of funds and that it is legal to use the funds for this purpose. If your comptroller and office of counsel agree that you have funds appropriate for the purpose, then the card is simply the tool used to accomplish the procurement.

Exception: The purchase of give-away items in support of employee recognition programs may be authorized if accomplished in accordance with agency policy. If the requiring activity has received an expense operating budget of Official Representation Funds (ORF). ORF funds may be used to purchase mementos, of a nominal cost used in connection with official ceremonies, dedications or functions. Such mementos may not exceed \$240 in cost. The mementos must be command mementos such as plaques and not personal items. Such mementos will not be presented to DoD personnel. In all cases when items are presented within the authority of SECNAVINST 7042.7J, a complete record must be maintained in the cardholder purchase or transaction files to include the name(s) of the recipient(s) and the reason for the presentation.

Printing and Duplication

General rule: Purchase cardholders are prohibited from buying printing or duplication services from sources other than DAPS.

Purchase from Government Employees or Businesses Owned or Controlled By Government Employees

General rule: Purchases from government employees (military or civilian) or from business organizations substantially owned or controlled by government employees are generally prohibited.

Radio Frequency and Wireless Devices:

General Rule: Unless prior approval from the Installation Spectrum Management Office is obtained, purchase cardholders are not authorized to procure radio frequency or wireless devices. Radio frequency and wireless devices include, but are not limited to: fixed and mobile radio transmitters, radars, microwave radios, computer wireless technology and commercial off the shelf (COTS) radio frequency wireless technology.

Exceptions: The purchase of exact replacement parts for existing systems does not require approval provided approval was obtained for the original purchase.

Reprographic Equipment

General rule: The purchase/lease/rental/trial/replacement or change in rental or lease plan of reprographic equipment is not authorized unless the requestor has complied with the requirements of the Navy Reprographic Equipment Program. The requestor must obtain written approval from the cognizant DAPS for all shore copying equipment with speeds of 71 or more copies per minute. (Examples of reprographic equipment are; copiers and high-speed copiers, Diazo process equipment, laser printers, and duplicating equipment).

Sensitive Compartmented Information In Contracts

General rule: Purchase cardholders are not authorized to enter into negotiations that will include requirements for contractor access to Sensitive Compartmented Information unless the customer has staffed the requirement through Commander, Office of Naval Intelligence, Code ONI-532.

Shipboard Digital Photo Lab (DPL)

General rule: Per OPNAVINST 3104.1, the Program Executive Officer, Tactical Aircraft Program (PEOT (PMA-241)) in conjunction with Chief of Naval Operations (CNO (N09C1)), provides centralized VI equipment acquisition management for centrally procured aircraft carrier (CV/CVN) DPL equipment and systems. Local Acquisition of equipment for, or reconfiguration of, shipboard DPL is prohibited without CNO (N09C1) and PEOT (PMA-241) approval.

Shipboard Habitability Equipment, Including Furniture, Laundry/Dry Cleaning and Food Service Equipment

General rule: Except for furniture, laundry, dry cleaning, and food service equipment listed in the following catalogs below, it is prohibited.

1. Furniture equipment - S9600-AD-GTP-010, U.S. Navy Shipboard Furniture Catalog with applicable changes.
2. Laundry/dry cleaning equipment - S6152-B1-CAT-010, Navy Laundry and Dry Cleaning Catalog with applicable changes.
3. Food service equipment - S6161-Q5-CAT-010, The Shipboard Food Service Equipment Catalog with applicable changes.

Transportation, Purchase of

General rule: DON purchase cardholders are not authorized to use their card to ship logistics items or pay for cargo shipments except for emergency shipments where the activity or base transportation officer is not available. The GSA Express Small Package Contract now authorizes the use of the card to ship items using the FedEx contract when shipping administrative small packages under 150 pounds.

Travel, or Travel Related Expenses

General rule: The purchase card cannot be used to pay for government employee travel or travel related expenses (i.e. expenses associated with official travel including transportation, lodging, or meals).

Uniform Items

General rule: Cardholders are not authorized to use appropriated funds to purchase uniform items unless the purchase meets all of the requirements for exception below.

Exception: If the purchase meets all of the requirements below and your Office of Legal Council concurs, along with assurance that your comptroller considers the purchase an appropriate use of the funds in accordance with policies and procedures then the purchase for a uniform item is appropriate. The cardholder shall maintain all concurrences and documentation/justifications in their purchase file. 1) This purchase for a uniform item must serve the Government's interest; 2) The clothing shall assist the personnel in performing their function; 3) The purchase of the clothing shall be in line with the mission of the organization; 4) The clothing shall meet the Government's minimum need and will remain Government property; and 5) The Government will assume responsibility for cleaning, storage, and repair of the clothing.

Visual Information (VI) Equipment

General rule: VI production equipment may not be provided to, acquired for, or used by, non-VI activities or personnel (See Definitions). Requests for VI equipment that exceed the dollar thresholds listed below must be forwarded to the appropriate Major Claimant Visual Information Management Office (MCVIMO) for approval. The MCVIMO must certify that acquisitions are in accordance with activity authorizations prescribed by OPNAVINST 3104.1 and 3104.2. Requests for VI equipment that support VI functions that are not authorized for the activity can not be approved at MCVIMO or local levels and must be held pending N09C1 approval of the new function.

Non-VI activities or personnel may acquire non-production VI equipment, unless otherwise specified by local VI instructions or when restricted by local credit card dollar limitations, non-professional consumer type VI equipment such as 35mm film based photographic camera systems costing less than \$1,000; overhead, slide, filmstrip, and motion picture projection equipment costing less than \$5,000; audio and video recorder players costing less than \$5,000; video cameras and camera-recorders costing less than \$5,000; digital photographic cameras costing less than \$5,000; digital photographic printers costing less than \$10,000; and, video, LCD, LED, and CRT projectors costing less than \$10,000.

For VI equipment policy and MCVIMO information, contact: CNO (N09C1) VI Equipment and Activities Policy Officer at (202) 433-3790; DSN 288.

Exceptions: The following types of equipment are exempt.

1. VI equipment:
 - a. Acquired and distributed by the Navy Exchange;
 - b. Embedded in non-VI systems, which cannot be separated or operated to perform a VI function outside the system;
 - c. Purchased with non-appropriated or morale welfare recreational funds including entertainment systems;
 - d. Used solely to support research, development, test and evaluation (RDT&E) programmed mission requirements;
 - e. Procured by the Naval Media Center in support of Armed Forces Radio and Television activities and "Navy and Marine Corps News This Week;"
 - f. Used by administrative and security offices only for identification (ID) purposes;
 - g. Dedicated to Pilot Landing Training (PLAT) System, secure flight crew briefing systems and meteorological information systems;
 - h. Acquired under the Ship Building and Conversion, Navy (SCN) program; or,
 - i. VI equipment acquired for Video Teleconferencing (VTC) activities managed per OPNAVINST 2015.1
2. Timing and synchronization apparatus related to instrumentation recording.
3. Radiographic equipment (industrial, medical and dental (x-rays)).
4. Office-related support equipment including: word processing equipment; transcribing and intercom equipment; telephone answering devices; xerographic equipment; and microform production and using (viewing and printing) equipment.

VI Equipment

- a. Production. Items used for the recording, producing, reproducing, processing, broadcasting, editing, distribution, exhibiting, and storing of VI. Includes professional still, motion picture and video cameras;

editing equipment, telefilm equipment, audiotape and cassette duplicators; computer generated graphics systems; film and paper processing equipment photographic printers.

- b. Non-production. Items used to maintain, repair, store, retrieve, exhibit or otherwise provide for the use of VI products. Includes videotape/disc players and television monitors; interactive video equipment; and, slide, film strip, motion picture, overhead, opaque and video projectors.

VI Activity

An organizational element or a function within an organization in which one or more individuals are classified as VI, or whose principal responsibility is to provide VI services. Navy VI activities are further identified by a Defense Visual Information Activity Numbers (DVIAN).

For questions regarding this policy, contact: CNO (N09C1) VI Equipment and Activities Policy Officer at (202) 433-3790; DSN 288.

Visual Information-Audiovisual (VI-AV) production including interactive video acquisition

General rule: Per OPNAVINST 3104.1 and its implementing instructions, the Naval Media Center (NMC) is the single contracting activity within the DON authorized to procure VI-AV productions. All requests for contracting for VI-AV productions, except as excluded below, must be forwarded to the Chief of Naval Operations (N09C1) via the appropriate Major Claimant Visual Information Management Office (MCVIMO) for approval and or assignment.

For questions regarding this policy, contact: CNO (N09C1) VI/AV Production Policy Officer at (202) 433-3714; DSN 288.

Exceptions: The following are exempt from the DoD VI production reporting requirements (Visual Information Production Request and Report, DD 1995 and the search of the Defense Automated Visual Information System (DAVIS) products.

- a. Mixed media packages with a predominance of text;
- b. Television spot announcements, public service announcements, news clips, and information programs funded by Armed Forces Radio and Television Service (AFRTS);
- c. The Navy Broadcasting Department of the Naval Media Center;

- d. Activities engaged in or supporting research, development, test and evaluation;
- e. The Navy Exchange;
- f. Productions acquired from commercial sources by or for;
 - (1) DoD dependent schools.
 - (2) Morale, welfare, and recreation (MWR) activities.
 - (3) Education centers.
 - (4) Non-VI libraries controlled by SECNAVINST 5401.2 (NOTAL).
- g. Productions funded and reported as an integral part of a recruiting advertising contract; or,
- h. Interactive courseware acquired under OPNAVINST 1500.73.

Definitions (OPNAVINST 3104.1):

Commercial VI Production. A completed VI production that is purchased off-the-shelf, i.e., from the stocks of a vendor.

VI Production. The process of combining or arranging any separate audio or visual product(s) in continuity in a self-contained, complete presentation that is developed according to a plan or script for conveying information to, or communicating with, an audience. A VI product is also the end item of the production process. The special kind of VI production that combines motion media with sound is further defined as "AV production." Used collectively, VI production refers to the functions of procurement, production, or adoption from all sources; i.e., in-house or contract production, off-the-shelf purchase, or adoption from another Federal agency.

Commercial Off-The-Shelf Visual Information-Audiovisual (VI-AV) production acquisition

General rule: Commercial off-the-shelf VI productions that support local, major claimant or Navy-wide requirements do not require a completed DD 1995 and may be purchased without MCVIMO or CNO (N09C1) validation. However, a DAVIS search is required to ensure that completed Navy or other DoD VI productions that may satisfy the requirements do not already exist. The DAVIS can be accessed via the Internet at <http://dodimagery.afis.osd.mil/>.

Withdrawal of Tax-free Ethyl and Specifically Denatured Alcohol
General rule: The purchase of tax-free ethyl and specifically denatured alcohol is not authorized unless a permit from the Bureau of Alcohol, Tobacco and Firearms has been issued.